Austria Sch22	Indonesia Rp3100	Portugal Esc120
Bahrain Din0.650	Israel IS3.50	S.Arabia Rls7.00
Belgium BFr48	Italy L1700	Singapore S$4.10
Canada C$1.00	Japan Y500	Spain Pta145
Cyprus C£0.90	Jordan Fils500	Sri Lanka Rup30
Denmark DKr10.00	Kuwait Fils500	Sweden SKr9.00
Egypt E£2.25	Lebanon $US1.25	Switz SFr2.30
Finland Fmk7.00	Lux LFr48	Taiwan NT$65
France FFr6.50	Malaysia Ringt4.25	Thailand Bt50
Germany DM2.30	Mexico Pes300	Tunisia Din0.800
Greece Dr120	Morocco Dh6.00	Turkey L400
Hong Kong HK$12	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway NKr10.00	USA $1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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SWEDISH POLL
Greens threaten a cosy consensus
Page 20

World News

Sri Lanka's President Jayawardene to step down

President Junius Jayawardene of Sri Lanka has decided not to stand in the forthcoming presidential elections due between December 4 and January 3. The candidate for the ruling United National Party will be Prime Minister Ranasinghe Premadasa.

Indian forces began a five-day unilateral ceasefire in their campaign against militant Tamil separatists, while the extremist Singhalese JVP party is organising a nation-wide period of "mourning" to mark the president's 82nd birthday tomorrow. Page 22

Papal tour continues
Barely 10,000 people attended a service in Lesotho, at which Pope John Paul beatified a 19th century French missionary. The pontiff said he was "saddened" by the bus hijacking which ended in the capital, Maseru, on Wednesday night with the loss of six lives. SA consular siege, Page 5

More Burma unrest
Around half a million demonstrators took to the streets of Rangoon amid growing signs that Burma's Socialist Government was crumbling.

Polish unity talks
Solidarity leader Lech Walesa and Interior Minister Czeslaw Kiszczak met for the second time in two weeks to prepare for full-scale talks. Page 2

In Lenin's footsteps
Soviet leader Mikhail Gorbachev, in a pilgrimage rich in symbolism, toured the Siberian village where Vladimir Lenin spent three years in exile before leading the 1917 Bolshevik Revolution. 700,000 ministry jobs will go, Page 2

Yugoslav minorities
Up to 30,000 people staged a protest rally in Vojvodina, accusing ethnic Albanians of persecuting Serbs in Yugoslavia's troubled Kosovo province. Background, Page 8

Iraq sanctions call
The European Parliament accused Iraq of attempting to exterminate its Kurdish population with chemical weapons and demanded an immediate ban on all arms sales to the country.

Polluted air claim
A UN report said 1.8bn of the world's city-dwellers breathe disturbingly high levels of sulphur dioxide, smoke and dust. The dirtiest air was found in Milan, followed by Shenyang (China), Tehran, Seoul and Rio de Janeiro.

Postal back to work
All but 14 of Britain's 82 main postal sorting offices were back at work, as local branches of the Union of Communication Workers voted to end a fortnight-long dispute over pay and staffing. Page 22

EC appeal to Beirut
The 12 members of the EC made an "urgent appeal" to Lebanon's political factions to ensure orderly presidential elections next week. Background, Page 5

Olympic surprises
The tiny Norwegian resort of Lillehammer was named to host the 1994 Winter Olympic Games. Libya unexpectedly stopped its team from flying to Seoul games, where the 1988 games open on Saturday. Flea to Libya, Page 5

Business Summary

HCA to go private in $3.3bn buy-out

HOSPITAL Corporation of America, the largest US hospital chain, is seeking to go private in a $3.32bn deal that could herald a big consolidation of the troubled industry. Page 23

PORSCHE, the West German sports car company hard hit by last year's stock market crash and the rise of the D-Mark, announced the departure of its top manager in the dominant US market, where sales have fallen. Page 23

KRAFT, the biggest US food processing group with nearly $10bn of annual sales, revealed for the first time that it has given up hope of acquiring Parmalat, one of Italy's largest food and dairy companies. Page 24

FRENCH Stock Exchange will present member firms on Monday with details of the major fund-raising operation designed to restore the bourse's reserve fund after heavy trading losses in late 1987 and the early months of this year. Page 28

JACOBS SUCHARD, the Swiss chocolate and coffee group which lost the battle to take over Rowntree, will pay its shareholders a 10 per cent bonus from the extraordinary profit it collected when it sold its 29.9 per cent stake in the UK confectionery company to the victor, Nestlé. Page 26

ZAYRE, the US stores group, has agreed to sell its loss-making discount chain to Ames Department Stores for $800m and a large minority stake in Ames so it can concentrate on its profitable speciality retailing operations. Page 24

US General Accounting Office raised to between $40bn and $50bn estimate of the costs of rescuing insolvent savings and loan institutions. Page 24

DU PONT, US's biggest chemicals company, named Mr Edgar Woolard, 54, as next chairman and chief executive. Page 23

MOET Hennessy-Louis Vuitton (LVMH) shares have been sparking on the Paris Bourse as the struggle for control of France's leading champagne, cognac and luxury products group, reaches its long-awaited climax next week. Page 26

PROCORDIA, the Swedish state-controlled holding company, is merging its pharmaceuticals activities in West Germany and Spain with those of Pfrimmer, the West German family-owned drugs group. Page 26

SAUDI CAIRO Bank, a troubled joint venture with Egypt's Banque du Caire, has more than quadrupled pre-provision profits for the first half of 1988 to SR8.08m ($2.15m) from SR1.91m. Page 25

HYSAN Development, a Hong Kong property development and investment group, reported net profits of HK$175.4m (US$22.5m) for six months to June, a 20.6 per cent increase over the same period last year. Page 25

NORTH Broken Hill, Australian base metals and forest products group, reported net profits for the year to June of A$103.7m (US$82.3m), up 75 per cent from the previous A$59.0m. Page 25

COLES MYER, Australia's largest retail group, announced a one-for-eight scrip issue and a sharply increased dividend payout when it reported record profits and sales for the 53 weeks to July. Page 25

LEADER Federal Savings and Loan in Memphis, Tennessee, is to issue an Elvis Presley credit card bearing a picture of the late rock-and-roll star. Revenue will go to orphanages and children's homes.

France heads for row with Brussels over Renault plan

By **Paul Betts** in Paris and **William Dawkins** in Brussels

THE FRENCH Goverment appears to be heading for a conflict with the European Commission arising from its proposal yesterday of a modified recapitalisation plan for Renault, the state-owned car group.

Paris said it would seek approval from the European Commission next week to recapitalise the balance sheet of Renault, by retiring FFr 12bn ($1.87bn) of debt, but without making any change to the special legal status of the company. Renault has accumulated debts of Ffr40bn, although it has recently become profitable.

The plan contrasts with one agreed with the Commission in March by the conservative government at the time in Paris. That plan directly linked the debt retirement with a change in Renault's privileged status from a state-owned "regie", or guaranteed state group, to a normal public company under state control.

As a state-owned "regie", Renault is guaranteed by the state which ensures that, unlike ordinary private or state companies with negative balance sheets, the company cannot go bankrupt.

EC officials said yesterday that the Commission planned to stick to its demand for a change in Renault's status in return for approving a total of FFr20bn of state aid. This figure also includes a FFr8bn capital injection already made into the company.

Mr Roger Fauroux, French industry minister, is expected to argue his government's case to Mr Peter Sutherland, European commissioner responsible for competition, in Brussels on Tuesday. Mr Fauroux said yesterday that he hoped the Commission would accept the new plan for Renault.

The French minister said any change in Renault's status was essentially a domestic issue, and that the recapitalisation was designed to give Renault a positive balance sheet. He emphasised it would be a final state injection into Renault.

The French Government's request is likely to provoke controversy in France and in other EC member states. It comes just weeks before the Commission is due to adopt plans to liberalise the trade in cars, including an end to technical trade barriers and bilateral import curbs. Any softening of Brussels' stance on Renault would prompt a strong response from West Germany, which protested over the original plan. The deal is likely to be equally unpopular in the UK, which was told in July to modify the debt write-off agreement under which Rover was being acquired by British Aerospace.

The Paris plan, which is also likely to come in for domestic criticism, is expected to be vigorously opposed by Mr Jacques Calvet, chairman of the private Peugeot car group. Mr Calvet has argued against any state support for the now profitable Renault which, he says, would distort competition in the French car industry.

Mr Raymond Levy, Renault chairman, has long campaigned for a change in his group's legal status since he is understood to regard this as a key component in the group's recovery strategy.

The French Government wants to postpone a change in Renault's status because of potential political problems the move could provoke. The Communists and the pro-Communist CGT labour union have opposed any change in Renault's status and the Government evidently wants to avoid a political confrontation at this stage.

The Government would have had to present a bill in the autumn session of parliament to modify Renault's status in time to meet the Commission's original deadline. However, the Socialists are reluctant to provoke a parliamentary battle over Renault's status in the autumn session.

US Ford to build electronics plants

Ford will invest $185m to build factories in Europe and the US to meet growing demand for electronic car components. The $68m Spanish factory, which was to be sited in Britain, will be the company's first in Europe for the production of sophisticated electronic engine management systems. A $117m similar factory will be built in Pennsylvania. Page 22

Taiwan to open door for European capital goods

By **Bob King** in Taipei

TAIWAN has decided that, with a handful of exceptions, it will place European suppliers on an equal footing with US companies when it is purchasing capital equipment.

The major policy shift means that European companies in theory now have as good a chance as their American competitors to supply billions of dollars worth of equipment and technology the island will require as Taiwan undertakes 14 big infrastructural projects and many smaller ones.

Underscoring the point, a Taiwanese delegation that will visit several European countries, including the UK, over the next few weeks will formalise agreements worth as much as $1.6bn, said Mr P.K. Chiang, who at the end of last month was named the new director of Taiwan's foreign trade board.

European manufacturers have long complained that Taiwan has systematically excluded them from contention for big contracts. Taiwan, in turn, has said such policies have resulted from its diplomatic dependence on the US and from its desire to reduce an annual multi-billion-dollar trade surplus with the US.

Reduced Taiwanese exports to the US, brought about by a variety of factors including the weakness of the US dollar, have increasingly focused the island's attention on Europe as a trading partner.

Mr Chiang said he believed Europe would play an important role in restructuring the island's economy through the development of capital- and technology-intensive industries over the next few years, which would encourage imports from that area.

During the first seven months of this year, he said, Taiwan's trade with Europe reached $10.5bn, an increase in exports of 36.1 per cent and in imports of 66.1 per cent.

In a related development, the government has reversed its earlier stand and approved a visit by traders to the Soviet Union to explore market possibilities there.

Taipei had earlier declined to allow such a mission because it might give the impression that the government was abandoning its prohibitions against direct trade with Moscow.

Price Waterhouse signals need to raise outside equity capital

By **Richard Waters** in London

PRICE Waterhouse, the international accountancy firm, will need to raise outside equity capital if it is compete with other financial services businesses, according to Mr Joseph Connor, its new chairman.

While such an equity issue may be a long way off, the statement was the first clear indication from a major accountancy firm that it intended to raise outside equity.

Mr Connor, who yesterday took over as chairman of Price Waterhouse World Firm, said in an interview that the financial structure of accountancy firms was out of date. "We frankly have the same needs for capital as any financial services organisation."

According to Mr Connor, part of the problem is that because they are partnerships, accountancy firms find it difficult to retain capital. "Who would choose to develop a $2.2bn business in which you have to distribute all the profits? You cannot build a firm without the ability to retain capital, not in the way we need it today."

At present, auditing firms in most major economies are not permitted to have shareholders who are not also auditors. This restricts accountancy firms, since they still depend on auditing for most of their earnings, although other services like management consultancy have recently grown faster.

Accountancy firms are unlikely to be permitted legally to float themselves publicly for many years.

Under the European Community's eighth company law directive, they can sell up to 49 per cent of their shares to outsiders, provided they retain control. This is expected to be enacted in the UK by 1990, although rules drawn up by professional bodies may restrict the level of shareholding to 25 per cent. There have

Continued on Page 22

A Kingston resident surveys the storm damage to her home

Texans prepare to weather the storm

By **James Abbott** in Houston and **Roderick Oram** in New York

TEXAS BRACED itself yesterday for the arrival of Hurricane Gilbert, the strongest hurricane on record, which has left a trail of destruction throughout the Caribbean.

Reinsurers worldwide are anxiously watching Gilbert's progress. If the hurricane hits Texas, insurance claims on ships, oil installations and buildings will be enormous.

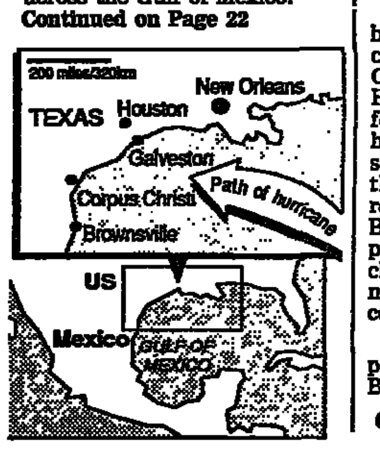
Estimates start at $2bn with apparently no upper limit. Lloyd's of London insures a lot of business in Texas directly and through reinsurance.

The worst of the destruction so far has been in Jamaica, which was devastated by Gilbert's 281kph winds. The island will need about $7.25bn to repair the damage caused by the storm, according to Mr Edward Seaga, the island's Prime Minister. In Mexico, officials are still clearing the chaos left by Gilbert when it passed through the Yucatan peninsula on Wednesday. The hurricane, which began near Puerto Rico on Sunday, also hit Haiti, Dominican Republic, and the Cayman Islands.

Britain yesterday announced £550,000 ($918,500) worth of aid to help Jamaica cope with the devastation left by the hurricane, and the League of the Red Cross appealed for SF5.8m ($3.7m) to feed 500,000 Jamaican victims during an initial period of two months.

Millions of people, from the Mexican border to the Flordia panhandle, were shuttering buildings, laying in emergency provisions or heading for higher ground yesterday as Gilbert headed towards them across the Gulf of Mexico.

Continued on Page 22



Moscow reveals nuggets on gold trade

By **Philip Stephens** in London

GLASNOST HAS reached the gold trade. The Soviet Union, for years one of the biggest and most secretive players in this supremely capitalist of markets, has decided to give the West some clues as to how it plays the game.

The glimpse came this week when the two men in charge of Moscow's multi-billion dollar programme of gold sales decided to share a few – but far from all – of their secrets with their trading contacts in London.

The venue was London's swish Savoy Hotel, where the prospect of a chat with Mr Vladimir Malinin, deputy chairman of the Bank for Foreign Economic Affairs, and Mr Anatoli Timokhine, its chief trader, attracted almost the entire membership of the London Bullion Market Association.

Moscow sells around 200 to 300 tonnes of gold to the West every year. Even at today's depressed prices that adds up to between $2.5bn and $4bn in hard currency earnings. And the Bank for Economic Affairs has a monopoly in selling it.

But as Mr Malinin and Mr Timokhine explained, the Soviet Union is not just in the business of selling gold.

It now trades it for a quick profit. From its dealing room in Moscow, the Bank for Foreign Economic Affairs has joined the ranks of market-makers like London's Mocatta or N.M. Rothschild.

"We are a buyer and seller, all day from morning until night," Mr Malanin explained in perfect English in an interview with the FT. "We have two teams of dealers so we start trading at 7am Moscow time and continue until 11pm."

That allows the bank to be active during the Hong Kong afternoon, throughout the London day and up until the New York close.

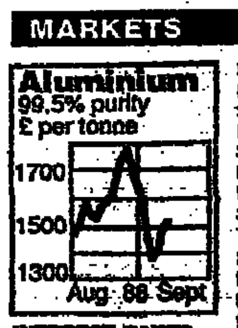
Mr Malinin is coy about just how much things have changed under Mr Mikhail Gorbachev, the Soviet leader. He has been coming to London for 20 years. Angling, only half-jokingly, for a free subscription to the FT, he says that he has been an avid reader of the paper for years. But back to Mr Gorbachev and perestroika. "Everything is changing in the world. Time is not standing still," Mr Malinin comments with a smile.

Mr Tomokhine is clearly pleased that some of the Bank's foreign currency earn-

Continued on Page 22

MARKETS

Aluminium
99.5% purity
£ per tonne



INTEREST RATES
US lunchtime:
Federal Funds 8¼% (8⅛)
3-mth Treasury Bills: yield: 7.39% (7.36)
Long Bond: 101⅝ (101⅜)
yield: 8.96% (8.97)
London:
3-month interbank: close 12¼ (12⅛)

STERLING
New York lunchtime:
$1.6795 (1.679)
London:
$1.68 (1.678)
DM3.15 (3.1475)
FFr10.705 (10.7025)
SFr2.655 (2.6525)
Y224.5 (225.5)

DOLLAR
New York lunchtime:
DM1.8755 (1.87625)
FFr6.378 (6.385)
SFr1.5825 (1.5815)
Y133.8 (134.175)
London:
DM1.8745 (1.879)
FFr6.3745 (6.39)
SFr1.58 (1.5835)
Y133.6 (134.6)

GOLD
New York lunchtime:
Comex Dec $425.55 (428)

STOCK INDICES
New York lunchtime:
Dow Jones Ind. Av. 2,101.0 (+0.36)
S&P Comp 269.25 (-0.05)
London:
FT-SE 100 1,799.3 (+4.2)
World: 124.37 (Wed)
Tokyo
Nikkei Ave
Tokyo closed
Frankfurt:
Commerzbank 1,539.4 (+4.2)

OIL
Brent 15-day (Argus) $13.62 (-0.385) (Oct)
West Tex Grade $15.015 (-0.3) (Oct)

CONTENTS

Lebanon pins hopes for future on a US-Syrian understanding

The efforts of Richard Murphy, US special envoy, may determine whether Syria and the US can achieve a consensus and prevent Lebanon from plunging into fresh crisis and division. Page 5

700,000 Soviet ministry jobs to go in reforms

By Quentin Peel in Moscow

SOME 700,000 jobs in Soviet Ministries are to be axed as part of the country's sweeping economic reforms, and management numbers drastically reduced, Mr Mikhail Gorbachev, the Soviet leader, has told workers in Siberia.

At the same time he rejected calls for outright purges of the Communist Party and government leadership, warning against any repetition of the Cultural Revolution in China, or the bloody purges carried out by Josef Stalin in the Soviet Union in the 1930s.

The Soviet leader, who is on the fourth day of a tour through the industrial cities of Siberia, where workers live in some of the toughest conditions in the country, both climatic and economic, has been conducting an extraordinary public debate on his entire reform programme as he goes.

Faced with blunt questioning and brutal facts on the hard living conditions and lack of social amenities in the region of Krasnoyarsk, four times the size of France, he has been hammering away at the need to get the entire population involved in his reforms.

His figures for the extent of future job cuts in government give an indication of just how radical he intends his reforms to be. If applied to central government ministries alone, 700,000 jobs would amount to more than one in four bureaucrats out of an estimated 2.5m.

As for management jobs, he said that there were up to 18m in the country as a whole, compared with a workforce of around 125m. Some 2.5m worked in government departments, the rest in individual enterprises. At some industrial enterprises, collective and state farms, almost half the managerial positions were being abolished, he said.

Mr Gorbachev, looking much grimmer and even rather tired, in spite of a summer holiday, and in contrast to his normal ebullient self, told workers in Norilsk, a desolate town inside the Arctic Circle, to hold new elections if they were unhappy with their leaders.

He said some 40 per cent of Communist party secretaries in primary – lower level – organisations in the region had already been voted out of office in elections since the party conference in June. Some 60 per cent of shopfloor and party groups had been replaced.

On the other hand, he flatly rejected more drastic measures. Mr Gorbachev said he had received a letter urging him "to give the order to open fire at headquarters.

"We are pursuing the restructuring, and we are responsible for preventing the country splitting into camps, for preventing the people from head-on clashes," he said.

"We all know about the 'firing at headquarters' in China. And then it took the people 15 years to try to understand what they had done – so let us not repeat that experience."

For the second time on his trip he referred to the brutal methods of Stalin. "You cannot apply the methods of 1937," a reference to the year in which show trials, executions and banishment of thousands of leading party workers, intellectuals and others reached their peak.

Yesterday Mr Gorbachev made a symbolic pilgrimage to the Siberian village of Shushenskoye, where Lenin spent three years in exile at the end of the last century, refining his ideas on the shape of a future revolution and Communist Party. Lenin now remains the only Soviet leader to whom Mr Gorbachev can safely refer to justify his reforms.

Compulsory central government purchases of the great bulk of Soviet industrial output are to be drastically cut back next year, to allow more independence

That is the promise given by Mr Nikolai Maslennikov, deputy chairman of the Council of Ministers in the Russian Federation, and chairman of the planning committee in the Soviet Union's most important republic.

The 'bargain' Ford got by going to Spain

By Tom Burns in Madrid

"EVERY TIME we read about Ford planning a new plant in Britain, we *burst out laughing*," says Mr Felix-Pablo Tamayo. "When you get the bargains Spain offers, why go anywhere else?"

Mr Tamayo, who is a communist and the leader of the Comisiones Obreras (Workers' Commissions) trade union branch at Ford's plant at Almusafes, Valencia, is bittersweet about the the US car manufacturer's Spanish bargain. "Its great to have jobs but from a trade union point of view we have not got much to shout about."

Ford, by Mr Tamayo's acount, is employing nearly 2,000 *fewer people* now at Almusafes than when the plant opened in the mid 1970s and more cars are being produced than ever. Ford makes more money at Almusafes than any other private company in Spain and yet its wage increase of 5 per cent this year was, Mr Tamayo says, 1.5 per cent less than the average salary settlements in Spain.

There has not been what Mr Tamayo calls a "serious" strike at Almusafes in nearly a decade though he personally reckons that there has been reason enough for action over the period. Production has been raised from 636 units per shift in January to 700 units this month with scarcely a reward and decidely no murmurs.

"The problem is that Ford recruited people off the land and turned them into skilled workers. We have no militant tradition in this part of the world, no trade union culture like in Britain," he says. During the Ford strike in England earlier this year, the 8,200 Almusafes labour force earned tidy sums in overtime as production was shifted to the Spanish plant. "No wonder the bosses in Detroit love Spain," says Mr Tamayo.

Ford management views on Spain might be different were Mr Tamayo to call the shots at Almusafes. The point is that it is the rival, socialist-party linked trade union, the Union General de Trabajadores (UGT), which is firmly in control at the plant.

In practice Ford has at Almusafes – thanks to the UGT – both the union moderation and the single union that it found wanting when it tried to set up a new plant at Dundee, in Scotland.

British inter-union opposition to Ford's single-union deal with the UK's AEU engineering union for the proposed Dundee plant, and concern by the Ford unions other than the AEU that the plant's wage rates would undermine the unions' national agreement on pay with Ford led to Ford abandoning the plant and siting it in Spain.

Mr Vicente Asensio, the chief UGT organiser at Almusafes and the head of the socialist union's metalworkers for the whole of the Valencia region, concedes that if Ford comes to Spain it is "because we are as serious a union as (West Germany's) I.G. Metal but we are a lot less expensive as a workforce."

Two years ago Mr Asensio's UGT won 19 seats on the 37-member works committee of Almusafes against 12 held by Mr Tamayo and the Workers Commissions and six which were won by the anarchist-based Confederacion General de Trabajo (CNT).

With its outright majority on what is called the Comite de Empresa, UGT was able to negotiate on its own with the management what were legally binding agreements for all.

The UGT majority at Almusafes is exceptional among big Spanish companies where the union structure can be almost as fractured as in England. There is a likelihood, however, that it will be renewed when works elections are held again in 1991 for Mr Asensio claims at 3,500 paid-up membership at the plant and Mr Tamayo says his support hovers around the 2,000 mark.

Mr Asensio negotiated with the Almusafes management a three-year wage agreement in 1987 (the time span is again exceptional, one-year pacts tend to be the norm) and he would like to establish a similar deal next year when the present one expires.

"I wouldn't say Ford is getting a bargain out of us," says Mr Asensio. "We stand a good chance of attracting the Pta 175bn (£840m)-worth of investment that should have gone to Scotland so who is getting short-changed?"

Thatcher fails to back Maltese bid to join EC

By Robert Mauthner, Diplomatic Correspondent

MRS MARGARET Thatcher, the British Prime Minister, yesterday expressed support for an expansion of links between Malta and the European Community, but significantly stopped short of endorsing any future application for full membership by Valletta.

During talks in London yesterday between Mrs Thatcher and Dr Edward Fenech Adami, her Maltese opposite number, the British Prime Minister made it clear that Britain considered that the existing association agreement between Malta and the Community provided the best framework for the development of relations.

British officials stressed that London had made it clear to all potential applicants for full membership, including Malta, that the Community needed time to digest its recent enlargement with Spain and Portugal and could not, therefore, contemplate the entry of new members for the moment.

This clear statement of the British position does not appear to have deterred the Maltese. In an address to the Royal Institute of International Affairs at Chatham House last night, Dr Fenech Adami said that Malta was "determined" to seek full membership of the Community.

A statement issued by Downing Street after the talks between the two leaders, which said that Mrs Thatcher "looked forward to an expansion of links between Malta and the European Community", was ambiguous enough to permit Maltese officials to express satisfaction at the support given by the Prime Minister to Dr Fenech Adami's position. The statement does not, however, alter Britain's basic policy.

Among the most positive results of the meeting was an undertaking by Mrs Thatcher that British assistance "in the political and security field" should be increased.

Delors condemns attacks on tax harmony plans

By William Dawkins in Brussels

MR JACQUES DELORS, President of the European Commission, yesterday condemned as hypocritical the attacks made by Britain and France against Brussels' plan to bring indirect tax rates closer in line.

In a speech to the presidents of 14 leading European companies meeting in Brussels, Mr Delors singled out the controversy over the Commission's VAT harmonisation plan as one of the biggest snags in the way of the EC's drive to abolish trade barriers by 1992.

"Let us avoid this hypocrisy which uses big words to conceal excessive fears of losing national sovereignty," he said. Mr Delors insisted at the same time that "progress towards 1992 is irreversible."

This latest skirmish in the war of words over the scheme between Brussels, Paris and London is timed shortly before EC Finance Ministers are due to discuss VAT harmonisation at a meeting in Crete this weekend.

European multinationals aim to lift managers' role

By William Dawkins in Brussels

The presidents of 14 top European multinationals yesterday launched a joint foundation aimed at boosting the role of managers in improving quality.

They called on EC bodies and national governments to support their efforts by improving infrastructure, notably Europe's fragmented telecommunications networks, and asked educational institutions to provide more quality management courses.

The campaign is to be co-ordinated by a European Foundation for Quality Management, established yesterday and to be based at the Dutch headquarters of Philips, the electronics giant spearheading the effort.

"It is a sorry fact of European business life that the importance of quality means more to business than to those institutions which experience less pressure from consumer judgement," said Mr Cor van der Klugt, president of Philips.

"Several European Governments do already support the quality movement. But compared with other regions of the world, that support must be intensified," he added.

The foundation aims to promote quality management in its broadest sense, embracing a whole range of disciplines from design to personnel, as an important competitive tool at a time when high-wage European companies are having to contend more than ever with lower cost counterparts.

Initially, the foundation aims to stage seminars, publish papers and build a data base on quality management.

Within the next few years, it aims to organise exchanges of experience between its members and establish a European quality award.

Apart from Philips, its members include Robert Bosch and Volkswagen of West Germany; Bull, Avions Marcel Dassault-Breguet Aviation and Renault of France; Ciba-Geigy, Sulzer and Nestle of Switzerland; Electrolux of Sweden; Italy's Fiat and Olivetti; British Telecom; and KLM of Holland.

Editorial comment, page 20.

Secret vote challenged in Italy

By John Wyles in Rome

ITALY'S five-party coalition government headed by Mr Ciriaco De Mita is facing the stiffest political test of its five months in office as it attempts to ensure passage of the 1989 budget by eliminating legislators' right to a secret vote.

With the budget proposals due to be adopted by the Cabinet by the end of next week, the Government is determined to strike down the secret ballot as early as possible in October. Mr Giuliano Amato, the Treasury Minister, still winces at the memory of how his 1988 budget was massively distorted and the Goria Government defeated on numerous occasions by the freedom to vote anonymously.

The Socialist Party in particular regards reform as an essential precondition for securing parliamentary approval for measures aiming at reforming public finances by 1992.

For the moment all of the opposition parties are hostile to the move, calling it an attempt to strengthen the controls of party leaders over their backbenchers.

Polish Minister meets Walesa in search for common ground

By Christopher Bobinksi in Warsaw

MR LECH WALESA, the leader of the banned Solidarity movement, yesterday conferred for over four hours with General Czeslaw Kiszczak, Poland's Interior Minister, in an attempt to find common ground for round-table talks the authorities have said they want to hold on the country's future.

Mr Walesa left the meeting, which was held in a suburban villa owned by the Interior Ministry in southern Warsaw, smiling and making the Solidarity V-for-victory gesture through the window of his car.

Both sides issued a joint communique after the meeting which said the talks would continue today.

Yesterday's talks were attended by Father Alojzy Orszulik from the Catholic Church, and Mr Andrzej Stelmachowski, a Solidarity adviser, as well as Mr Stanislaw Ciosek, a member of the party leadership.

PAP news agency said both sides wanted full-scale negotiations on Poland's future to start as soon as possible.

Gen Kiszczak remains loath to legalise Solidarity as a trade union.

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Cypriot leaders meet in first direct peace talks

By Andriana Ierodiaconou in Nicosia

THE FIRST DIRECT peace talks on the Cyprus problem in six years between the Greek- and Turkish-Cypriots began in Nicosia under UN auspices yesterday.

During a largely ceremonial first session, symbolically held on the military Green Line bisecting Nicosia into Greek and Turkish sectors, the leaders of the two Cypriot communities pledged to suspend mistrust.

UN officials described the atmosphere as very good.

Speaking for the Greek-Cypriots, President George Vassiliou spoke of "a new Cyprus where all its inhabitants will live and work in peace."

The Turkish-Cypriot leader, Mr Rauf Denktash, called for "a land of two peoples who have differences of religion, language, national identity and culture but have one and the same loyalty to Cyprus which gave birth to them and has cherished them for centuries."

The aim of the present negotiations is to restore the unity of the Cypriot state.

Negotiations will mainly be conducted personally by Mr Vassiliou and Mr Denktash, in the sole presence of the UN special representative.

It is expected that the two leaders will also have opportunities to speak tête-à-tête. In one reported aside yesterday, Mr Vassiliou was heard inviting Mr Denktash to telephone him whenever he wished.

The two leaders have agreed on a June 1989 target date for reaching political agreement.

Denktash praises 'pragmatism' of Greek-Cypriot leader

By Jim Bodgener in northern Cyprus

MR RAUF DENKTASH, the Turkish-Cypriot leader, has spoken warmly of Mr George Vassiliou, the Greek-Cypriot president with whom he has started talks on the island's future. Mr Denktash, who gave an interview with the Financial Times earlier this week, also reaffirmed his willingness to show flexibility over some Greek-Cypriot aspirations.

● On Mr Vassiliou, whom he met in Geneva last month, Mr Denktash said: "I would say that we had a far better chance of solving the problem with Vassiliou than we have had with any other Greek-Cypriot leader." The Turkish-Cypriot leader described him as "an intelligent, pragmatic man with his feet on the ground – a nice man to talk to."

He said Mr Vassiliou was in a strong domestic position, but there were "extremists" in southern Cyprus who had arms caches and still talked about continuing the struggle.

● On the Turkish troops in northern Cyprus, he said they could be withdrawn according to a timetable after the establishment of a transitional national (that is, Greek- and Turkish-Cypriot) government. But an agreed number of Greek and Turkish troops should remain, partly to curb "hotheads" who might otherwise seek revenge for the past, he added. "Only the Turkish presence keeps our heads cool, our tempers down, and our stance in a negotiating mood," Mr Denktash said.

Mr Vassiliou, while suggesting that withdrawal in stages would be acceptable, still says the pullout must be complete *before* the formation of any transitional administration. He also prefers that any federal arrangement to be definitive rather than transitional.

● On guarantees for a settlement, Mr Denktash described as sufficient the arrangements in the 1960 agreement which led to Cypriot independence: these name Greece, Turkey and Britain as guarantors. The Turkish-Cypriot leader did not want guarantees from the UN; or from the US, on grounds that this might in turn lead to Soviet involvement.

Mr Vassiliou rejects the idea of a Turkish guarantee. However, the Greek-Cypriot communist party, which helped bring him to power, now says it would accept Turkey as guarantor, alongside Greece, provided Ankara did not retrain the right to intervene unilaterally. Turkey cited this right during its 1974 invasion.

● On the "three freedoms" (freedom of movement, settlement and property throughout a federal Cyprus) which are a key Greek-Cypriot demand, Mr Denktash indicated qualified acceptance in principle of the first two, but reaffirmed his position that the issue of Greek properties seized during the 1974 Turkish invasion should be handled by compensation rather than any return to former owners.

On freedom of movement, Mr Denktash qualified his acceptance by saying that "terrorists like Nikos Sampson" could not be allowed to roam freely through the Turkish-Cypriot zone of a federal Cyprus. Sampson was briefly installed as Cypriot leader during the July 1974 attempt by the junta then ruling Athens to overthrow Archbishop Makarios: it was this coup that triggered the invasion by Turkish troops, who overran the island's north the following month.

On the right of settlement, he cited as a possible model the restrictions on residence which Swiss cantons are entitled to impose on one another.

Lisbon suspends maximum lending rate

By Diana Smith in Lisbon

LIBERALISATION of Portugal's credit system moved a step closer yesterday when Mr Miguel Cadilhe, the Minister of Finance, announced the suspension of the officially-set maximum lending rate.

The top rate allowed has been 17 per cent. From now on, said Mr Cadilhe, it will be freely determined by market forces, and this will in time allow the Bank of Portugal to introduce flexible monetary instruments.

Hoping to keep down inflation and the cost of servicing a huge public debt which equals 80 per cent of GDP, the Government has held tight ceilings on credit while drawing freely, at low interest rates of its choosing, on nationalised banks rather than capital or money markets for its financing needs.

This prompted recent recommendations from the IMF and World Bank to allow greater play for market forces.

Credit ceilings as an anti-inflationary weapon have not worked.

Mr Cadilhe revealed yesterday that year-on-year inflation reached 10 per cent in August. This was a monthly rise of 0.9 per cent and and brought inflation above the December 1987 figure of 9.4 per cent.

The August figure made a nonsense of Mr Cadilhe's confidently-repeated 1988 target of 5.5 to 6.5 per cent.

Having last week blamed imported inflation for missed targets, Mr Cadilhe yesterday lashed out at Portuguese businesses, announcing that companies who "enjoyed vastly improved profits but failed to comply with price policies" would cease to receive financial incentives that, he said, have helped them cut their costs.

The minister also said a number of tax incentives would be abolished in the tightly-managed 1989 Budget. Next year's budget deficit, fuelled by the servicing of the public debt, would be about 7.5 per cent of GDP compared with about 9.5 per cent of GDP in 1988.

Stoltenberg confident as growth tops 2%

By David Marsh in Bonn

MR GERHARD Stoltenberg, Bonn Finance Minister, is likely to tell the Franco-German Finance Council meeting in Frankfurt today the West German economy will grow by between 2 and 3 per cent next year, revising upwards the Ministry's previous forecasts.

Although the Finance Ministry is still some way from coming up with a firm detailed forecast for 1989, it is optimistic that real growth in Gross National Product will be above the 2 per cent projected in the 1989 budget forecasts debated by parliament last week.

The better outlook for 1989, together with a confident assessment that economic growth in 1988 will be at least 3 per cent, will be put forward by Mr Stoltenberg to Mr Pierre Bérégovoy, the French Finance Minister, as a sign that Bonn is playing an adequate role in supporting the world economy.

At today's meeting, grouping ministers and senior officials from the two countries, France is likely to express worry about the growing West German trade surplus against other European countries.

French officials, who point to the need for Europe to compensate for a probable economic slowdown in the US in 1989, are less confident than the Germans about the growth outlook for next year.

They also want to warn the Bundesbank, the West German central bank which has been tightening its monetary policy over the summer, against overreacting to an anticipated increase in the German inflation rate to more than 2 per cent next year.

Stockholm faces 'prospect of instability' as election nears

By Robert Taylor in Stockholm

SWEDEN is facing the prospect of serious political instability after Sunday's general election, according to the final prediction which will be released today by Sifo, the national poll organisation.

This suggests the Greens will secure 7.1 per cent of the vote and hold the balance of power in the new Parliament. The ruling Social Democrats look set for a drop in their vote from 44.7 per cent three years ago to only 42.0 per cent.

The tiny Communist party seems likely to just scrape over the 4 per cent vote hurdle it needs to win seats, with 4.2 per cent.

Since 1985 the Social Democrats have usually been able to rely on the stable Communists to have a working majority because their combined vote was more than 50 per cent. Now they may have to look to the Greens for the extra support they require to govern.

However, the untested and ill-disciplined Greens could try to exact a high price for backing a new Social Democratic government, making it hard for Prime Minister Ingvar Carlsson to ensure a strong adminstration.

Sifo is usually fairly accurate in its overall predictions, although it failed to predict the fall of the Social Democrats in the 1976 general election.

The non-Socialist parties in the so-called bourgeois block are not expected to poll more than 44.6 per cent between them – well short of the 50 per cent they would need to try to form a coalition.

The Moderates are down from 21.3 per cent to 18.2 per cent this time, while the Liberals are predicted to register little change from 1985, up only .6 to 14.8 per cent. The Centre party is expected to see its vote fall from 12.4 per cent to 11.6 per cent.

The Sifo figures are based on a nationwide sample of 1,094 people taken during the past few days. The established parties are expected to concentrate their fire on the Greens during the last 48 hours before the polls open on Sunday.

But it looks as though Sweden is likely to have its first new party in parliament for more than 70 years with unforeseen consequences for its economy and for its reputation of political stability.

●Sweden's annual rate of inflation fell for the second month running to 6 per cent in August, according to figures released yesterday by the Central Office of Statistics (SCB), although economists warned that the underlying trend is upwards and that inflation can be expected to be around 7 per cent by the end of the year, Sara Webb reports from Stockholm.

The inflation rate has fallen from 7.1 per cent in June to 6.4 per cent in July, chiefly because of the distorting effect of the Government's price freeze which was imposed in the first half of 1987. The gradual relaxation of the freeze in mid-1987 was followed by a sharp jump in prices for July and August last year.

City dwellers ravaged by 'unsafe' levels of smoke and dust pollution

By William Dullforce in Geneva

LESS THAN 20 per cent of the world's 1.8bn city dwellers breathe air that is sufficiently free of smoke and dust not to endanger health.

Pollution of European rivers is no longer a health hazard, thanks largely to the chlorination of public water supplies, but faecal contamination of water resources still kills many children in developing countries.

These are two of the findings in joint reports on air, water and food pollution from the World Health Organisation and the United Nations Environment Programme. Five air polluants were monitored in the major cities of 50 countries.

About 1.25bn people are estimated to live in air with levels of smoke and dust regarded as unacceptable by WHO standards.

Some 625m people, mostly in developing countries, are exposed to unacceptable levels of sulphur dioxide and another 550m live in marginal conditions, the report said.

Nitrogen dioxide emissions have increased over the past five years in industrialised countries.

Swiss growth forecast to slow

SWITZERLAND'S economic growth this year should be about the same in real terms as last year, and is likely to slow down in 1989 and 1990, according to Swiss forecasters, reports John Wicks in Zurich.

The Government's working party for economic studies foresees overall expansion in the coming months, linking this to higher exports and domestic consumption. For 1988, the employers' association, Vorort, says economic growth should exceed 2 per cent. Credit Suisse and Lausanne University's "crea" forecasting unit expect a rise in GDP of some 3 per cent

European MPs call for Iraqi arms ban

By William Dawkins in Brussels

EUROPEAN Governments should ban all shipments of weapons to Iraq, and substances and equipment which could be used to make chemical weapons, the European Parliament demanded yesterday.

Its proposed arms ban, supported by all of the assembly's political groups except for the extremist European right, marks the latest step in the increasing international condemnation of the Baghdad regime's alleged use of chemical weapons against Kurdish rebels in northern Iraq.

"This has led to the death of thousands of innocent civilians and verges on genocide," said the statement from European Members of Parliament. It was endorsed by a 78-3 majority.

Several Western countries have asked Mr Perez de Cuellar, the UN Secretary-General to launch an inquiry, but both Iraq and neighbouring Turkey have said they are unwilling to admit UN officials.

● The European Parliament yesterday voted to resume contacts with Turkish legislators, suspended eight years ago after the military coup in the Mediterranean country.

The decision opens a potentially valuable link with the European Community for Ankara, which has surprisingly few official links with the EC for a country which lodged a formal application for membership little more than a year ago.

A large majority of Euro-MPs yesterday agreed that in the light of last November's elections in Turkey, they should reconvene their own EC-Turkey Joint Parliamentary Committee.

Jamaica devastated as Hurricane Gilbert's wrath is revealed

By Canute James in Kingston, **David Gardner** in Mexico **and Andrew Marshall** in London

THE FULL extent of the damage wrought by Hurricane Gilbert began to be revealed yesterday, as aid agencies and Western governments pledged cash for food, shelter and reconstruction.

The worst of the destruction was in Jamaica, which has been devastated. The island will need about $7.25bn to repair the damage caused by the storm, according to Mr Edward Seaga, the island's Prime Minister.

A half a million people have been left homeless. Four out of every five houses on the island were affected by the 140-mph winds, with 100,000 houses destroyed and another 400,000 damaged.

The island's banana industry has been wiped out, the sugar industry extensively damaged and meat will be scarce over the next six months. Electricity and telephone services have not yet been restored, and water supplies are uncertain over most of the island.

Local radio reports put the unofficial death toll in Jamaica at 23.

The army and the police are maintaining the dusk-to-dawn curfew imposed three days ago to curb a wave of looting in Kingston, the capital, and in neighbouring Spanish Town.

In Mexico Gilbert battered the provincial capital of Merida and the gulf port cities of Puerto Progreso, Campeche and Ciudad del Carmen, closing airports and roads, knocking out communications and power, and inundating streets and highways.

Officials reported at least nine injuries, but there were no reports of deaths.

Pemex, the state oil monopoly announced that all 146 offshore platforms in campeche sound, in the south of the Gulf of Mexico, had been closed down. These fields account for 1.7m b/d, or 69 per cent of total Mexican crude output.

The peninsula's eastern coast is famed for its beachside resorts, including Cancun and the island of Cozumel. Several seaside hotels on Cozumel suffered damage as did hundreds of homes, the officials said.

A navy spokesman in Mexico City said he had no word on the plight of an estimated 15,000 people who had been stranded on Isla Mujeres near Cancun. Three ferries linking the island with the mainland were lost in the storm, but there were no reports of casualties.

Civil defence officials said 6,000 tourists left beachside motels and 30,000 local people also sought temporary shelter in Cancun, while broken windows in commercial areas drew bands of looters.

In the Yucatan state capital of Merida, the winds destroyed nearly all the thatched houses in one district, uprooted trees and cut off water supplies, said Gonzalez Correa, news editor of the newspaper Novedades.

Haiti, meanwhile, declared a state of emergency on Thursday across its southern peninsula, where at least 10 hurricane-related deaths have been reported.

Cuba was spared the full fury when Gilbert hit the island on Tuesday, the national news agency AIN reported, but about 245,000 people remained evacuated from low-lying areas.

Gilbert had earlier left at least seven dead in Venezuela and the Dominican Republic.

An international airlift of relief supplies to Jamaica has began, with aircraft from the US ferrying tents, beds, water containers, food, medicines and telecommunications equipment. Island authorities are hoping to re-open Kingston and Montego airports by tomorrow to ferry stricken holidaymakers out and emergency relief supplies in.

The League of the Red Cross appealed yesterday for 5.8m Swiss francs ($3.7m) to feed 500,000 Jamaican victims over an initial period of two months, and Britain yesterday announced £550,000 worth of aid for Jamaica.

The country's general election, which was to have been held in December, is now almost certain to be postponed.

Reinsurers worldwide hold their breath

By Eric Short

REINSURERS worldwide are watching Gilbert's progress anxiously. For, if it hits Texas and Louisiana, as expected, the overall insurance claims will be enormous. Guessimates start at $2bn with apparently no upper limit.

The London insurance market Lloyd's insures a lot of business in Texas and Louisiana, both directly and through reinsurance.

If oil platforms along the US and Mexican coasts are hit by Gilbert, London underwriters would face huge claims. Underwriters remember the cost of hurricane Alicia in 1983 and hurricane Fredrick four years earlier.

The official estimate of the damage by Alicia, as assessed by the Insurance Information Institute is $675m. However, claims by insurers on their reinsurers are still being settled and the cost of this hurricane was put at £1.2bn. Fredrick, which struck the East coast from Mississippi to New York State, cost around $750m.

Hurricane Gilbert is considered far more deadly than Alicia or Fredrick.

The impact on the insurance companies and other direct insurers operating in this part of the US will not be too severe. They all carry high levels of catastrophe cover with reinsurers. It is the reinsurers that will have to meet the bulk of the costs.

For this reason, the London stockmarket was relaxed over the possible impact of the hurricane on the three major UK composites operating in the US – Royal Insurance, General Accident and Commercial Union. The impact of the hurricane in the UK and Europe last October, with an estimated damage of £3bn, is likely to have been far more costly to these companies, because they had much lower reinsurance protection, than the expected cost of Gilbert.

Older underwriters in non-marine syndicates at Lloyd's of London remember the impact of hurricane Betsy in 1965. Its cost almost crippled syndicates and resulted in Lloyd's completely reassessing its method of providing capacity.

The short-term effects of Gilbert on the US insurance market will by any standards be disastrous, coming at a time when the market is weak and rates are soft. However, combined with the hurricane last October and the £1.3bn Piper Alpha fire, the expected cost of Gilbert could result in widespread rate increases which could pull the US market out of its current downcycle far more quickly than would otherwise be expected.

Kingston residents survey damage caused by Hurricane Gilbert

Cars sales account for US retail decline

US retail sales fell $330m, or 0.2 per cent in August, the Commerce Department said, Reuter reports from Washington. It was the first drop since a 0.4 per cent decline in April. The department revised July sales to show a rise of 0.1 per cent instead of the previously reported 0.5 per cent rise.

The fall was nearly all accounted for by a 1.8 per cent fall in car sales. Excluding cars, August retail sales rose 0.2 per cent, compared with a 0.1 per cent rise in July. The August retail sales level was 2.7 per cent more than the August 1987 level.

The decline in retail sales in August means the US economy remains strong and inflation is under control, Mr Marlin Fitzwater, the White House spokesman, said.

● US factories, mines and utilities operated at 83.7 per cent of capacity in August, compared with a revised 83.6 per cent in July and 83.0 per cent in June, the Federal Reserve Board said yesterday. This is the highest since March 1980.

IMF seeks more

Mr Michel Camdessus, managing director of the International Monetary Fund, plans to press at next week's annual meeting in West Berlin for a doubling of the agency's resources to about $80bn, a senior IMF official said in an interview with Reuter in Washington.

No decision will be taken in Berlin, because the Fund has already agreed to postpone action on the issue until next April. But a push for a swift quota increase is unlikely to be welcomed by the US, the largest IMF shareholder, monetary sources said.

The IMF official said the Fund's quotas, or membership subscriptions, needed to rise at least 50 per cent to match growth in the world economy. But a doubling would be preferable so the Fund's members could be confident it had extra resources to cope with any new international financial crisis.

Canadian surplus

Canada's goods trade surplus edged up to a three-year high of C$1.5bn (£715m) in July, taking the cumulative year-to-date total to C$6.7bn – down C$125m on 1987, David Owen writes from Toronto.

Imports and exports alike fell sharply, however, leading observers to interpret the figures as a further sign that some easing of the country's hitherto rapid economic growth is imminent. In all, Canadian exports dropped by C$1.4bn to C$10.5bn – the lowest level in a year. Imports plummeted even faster – by C$1.5bn to just C$9bn.

Some of the decline in both imports and exports was attributed to lower automotive trade, due to the simultaneous closure of certain Canadian manufacturing plants for retooling. Imports of equipment and machinery were also down sharply from a month earlier.

Wall Street fines

The House of Representatives has unanimously approved a bill that would increase fines against convicted Wall Street insider traders, lengthen their prison terms and penalise investment firms that permit the practice, AP reports from Washington.

The measure was passed Wednesday by 410-0, but its fate is unclear in the Senate, where the legislation may not advance unless the House approves a Senate-passed banking bill.

Cardenas calls for rival force to drive out PRI

By David Gardner in Mexico City

MR CUAUHTEMOC Cardenas, the leader of Mexico's broad left coalition which is disputing the legitimacy of the presidential election results in July, has called on president-elect Carlos Salinas de Gortari to resign and clear the way for new elections.

But the call was more a formal statement of repudiation than a real demand, and was overshadowed by Mr Cardenas's appeal to his followers to forge a rival force to the long-ruling Institutional Revolutionary Party (PRI) capable of driving it from power.

The left-wing nationalist leader assured a rally of some 100,000 supporters in Mexico City's central Zocalo square on Wednesday night that they were the nucleus of an organisation that would become "so powerful that it will clearly be senseless to oppose it, and (the regime) will have no alternative but new elections".

Mr Cardenas's confident message, expressed in sober but ringing oratory to a crowd smaller than he had been attracting before the confirmation last week of Mr Salinas as president-elect, stressed the need to build a cohesive and unified force out of the five parties and 20 regional groupings in his ramshackle National Democratic Front.

This fragmented coalition, though it made historic gains for the opposition in July, could easily disintegrate without new, clearly defined goals.

Until now the coalition has been held together by the figure of Mr Cardenas, the son of revered 1930s President Lazaro Cardenas who from his starting point of dissidence within the ruling party has become a potent symbol of the desire among millions of Mexicans for peaceful change.

The FDN is now expected to hold a national congress in mid-October, and to begin a "long march" aimed at ousting the PRI, which will get under way in earnest with gubernatorial elections in the Gulf of Mexico state of Tabasco in mid-November.

Mr Cardenas' supporters in this strategic oil-rich state have split the PRI so damagingly that many regime loyalists believe the ruling party would lose a clean election there. Were this to happen it would be the first time the 71-year old regime surrendered a state government.

But in the current climate of confrontation between the FDN and the regime, and hostility within the PRI towards the reformist group around Mr Salinas on the part of an old guard smarting from what it regards as unnecessarily lost ground to the opposition, few observers expect this and a cluster of other upcoming local elections to be clean contests.

Within the PRI itself vested interests are battling to the point that rival factions have publicly accused each other of rigging internal elections in three states.

Removal of Reagan 'was considered'

By Lionel Barber in Washington

PRESIDENT Ronald Reagan became so depressed, inept and inattentive in 1987 at the height of the Iran-Contra arms-for-hostages scandal that his top aides considered removing him from office, according to a newly-published book.

The book describes how a former White House aide sent a memorandum to the incoming chief of staff Mr Howard Baker, raising the possibility of invoking the 25th amendment to remove the then 76-year-old president from office.

However, Mr Baker and two other aides put Mr Reagan under observation for a day and concluded he could perform his duties, according to Jane Mayer of the Wall Street Journal and Doyle McManus of the Los Angeles Times in the book Landslide, the Unmaking of the President, 1984-88.

It was rumoured last year that Mr Reagan had suffered depression after the initial disclosure that he had authorised the transfer of arms to Iran.

The authors say a White House aide Mr James Cannon said that when he went to the White House: "There was no order in the place. The staff system had broken down. It had just evaporated."

Mr Cannon recounted that staff said the President was lazy and not interested in the job. "They said he would not come over to work - all he wanted to do was to watch movies and television at the residence."

The Los Angeles Times reported yesterday that Mr Baker took the Cannon memo seriously, but he never entertained putting the amendment into effect.

The amendment provides for the Vice-President to assume the role of acting president should he and a majority of the Cabinet declare that "the President is unable to discharge the powers and duties of his office".

North benefits as wily Mulroney goes native

David Owen on Canadian land and energy deals

TWO comments need to be made about the signing last week by Canadian Prime Minister Brian Mulroney of agreements on land claims and energy resources which will give the largely indigenous inhabitants of northern Canada more influence over their own affairs.

The first is that the deals mark a significant milestone for the people of the Northwest Territories, that vast and inhospitable swathe of land which stretches from the Yukon in the west to Baffin Bay and the Labrador Sea in the east.

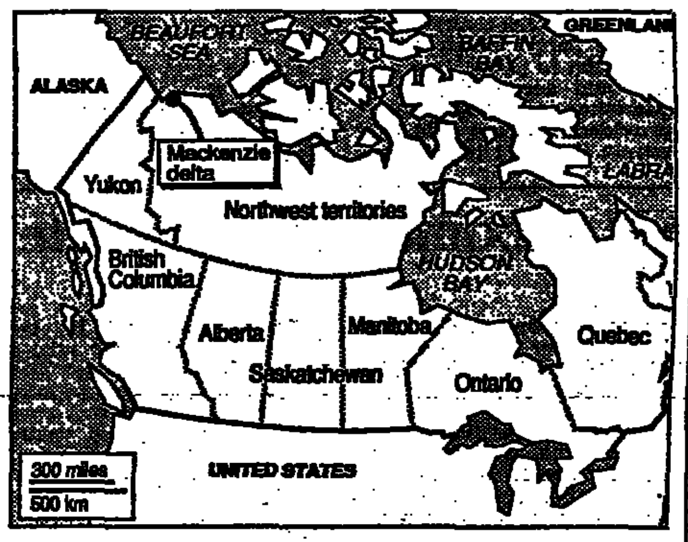
The second is that the lengthy and colourful signing ceremonies came at a hugely convenient time for Mr Mulroney himself – now the proud owner of a native drum, a buckskin jacket and a moose antler carving of a soaring eagle.

With a general election fast approaching in which every seat may count, Mr Mulroney and his ministers have been touring the country delivering speeches and largesse in a bid to keep Canada Conservative. In recent weeks, mixed financing deals for two enormous energy projects of dubious viability have been stitched together in Newfoundland and Saskatchewan respectively. Money has also been thrown at any number of worthy causes, ranging from AIDS patients to illiteracy.

The inking of last week's agreements constitutes Mr Mulroney's pitch to the north – a region in which the Conservatives won all three seats at stake in the last election.

Since then, northerners have become incensed at the implications of the Meech Lake constitutional accord which, they feel, would harm the aspirations of the Yukon and Northwest territories to fully-fledged provincial status.

If ratified, the accord would mean that the creation of a new province would require the unanimous approval of the federal government and all 10 existing provinces – a degree of consensus which, many experts feel, would be virtually impossible to achieve.



Mr Mulroney has been at pains to refute this impression. Nonetheless, last summer – shortly after the negotiation of the accord – the left-of-centre New Democratic Party won the Yukon in a by-election after 29 years of Tory incumbency. Both Northwest Territories seats remain, for the moment, under Conservative tutelage.

But Mr Mulroney's politicking should not detract from the importance of the agreements to northern Canadians.

The energy deal, which gives the Northwest Territory joint management responsibilities for onshore energy resources and a share of royalties, may bring the region a step closer to eventual provincial status by weaning it away from dependence on Ottawa. The federal government gives the territory some C$700m (£338m) a year in transfer payments.

The Beaufort Sea and the adjacent Mackenzie delta have proven reserves of 1.5m barrels of oil and 12 trillion cubic ft of natural gas. Joint management of offshore energy resources is to be negotiated at a later date.

The land claims settlement, meanwhile, represents another stage in the process of righting some of the wrongs done to Canada's original inhabitants by successive waves of fur- and land-hungry white immigrants. The deal gives the Dene and Metis people of the Mackenzie river valley some 180,000 sq km of land and C$500m for ceding ownership of territory over which they will not have title. It also marks the beginning of the end of 13 years of negotiations.

The agreement-in-principle is one of four similar settlements which will eventually grant 39,000 Indians, Inuit and Metis (or people of mixed ancestry) ownership of at least 550,000 sq km or 7 per cent of Canada's land mass. Beneficiaries will also receive traditional land-use rights over a further 2.5m of Canada's nearly 10m sq km.

In return for ceding ownership of these lands to the Government, natives will receive some C$1.4 bn over 20 years.

Call for more world policy co-ordination

By Philip Stephens,
Economics Correspondent

A CALL for leading industrial nations to build on last year's Louvre accord to create a more permanent framework for international economic policy co-ordination was made yesterday by an influential group.

The report, published under the auspices of the Group of Thirty, welcomed the move away from the purely discretionary approach to policy co-ordination represented by the Louvre agreement.

Governments of the Group of Seven nations, however, should now move towards a more permanent "rule-based" system with exchange rates as its focal point.

Rates for the major currencies would be fixed

Argentine 'coup' claim

By Gary Mead in Buenos Aires

THE PERONIST candidate for the Argentine presidency, Mr Carlos Menem, has accused the Radical Party government of preparing for a self-inflicted coup d'état.

In the wake of disturbances in Buenos Aires last week, he suggested that the Government was considering such a possibility as a means of avoiding responsibility for the country's current economic problems.

Mr Menem, who did not attend the rally last Friday to mark the 12th general strike under the present government, also took to task local and foreign press, for what he alleged was biased reporting

He blamed the riot on what he called the "disastrous economic situation", adding that press coverage of the event was designed to damage his chances of being elected president in May 1989.

Mr Antonio Cafiero, Peronist governor of the province of Buenos Aires, who was narrowly beaten by Mr Menem for the party's nomination, has said he does not share Mr Menem's views on this matter.

A senior aide to President Alfonsin, Mr Carlos Becerra, has strongly denied Mr Menem's suggestions. He stated that Peronists are incapable of governing Argentina

A government investigation into the riot is under way. The Minister of the Interior, Mr Enrique Nosiglia, has exonerated Peronists and trade unions from blame.

OVERSEAS NEWS

A Seoul policeman sprays a fellow officer whose clothes were set alight by a fire bomb thrown by a student in demonstrations yesterday over the staging of the Olympics

Olympics plea to Libya

LIBYAN athletes have failed to arrive for the Seoul Games and Olympic chiefs have sent a message to Libyan leader Colonel Muammer Gadaffi urging that they come, a senior Olympic official said yesterday, Reuter reports from Seoul.

Mr Mario Vazquez Rana, head of the Association of National Olympic Committees, said: "We don't know if they are having problems with their plane, or other problems of another nature." Libya boycotted the last Olympics in Los Angeles.

Olympic officials said Libya's 13-man team had been due to arrive on September 12. They assembled in the team hotel in Tripoli earlier this month, were fitted out with equipment but was then told to go home again.

"The team was there and ready to go, but they haven't shown up," said Mr Vazquez Rana.

He added that he and International Olympic Committee president Mr Juan Antonio Samaranch had "sent messages to Libyan leader Gadaffi urging him to let the team come."

Egypt presses for Western aid

EGYPT mounted a campaign yesterday for Western support in tackling its economic problems and President Hosni Mubarak prepared for quick visits to London and Paris, Reuter writes from Cairo.

Mr Mubarak planned talks with Mrs Margaret Thatcher, the British Prime Minister and President Francois Mitterrand of France this month, Egyptian officials and European diplomats said.

News of his planned mission broke as Mr Esmat Abdel-Maguid, the Foreign Minister, urged ambassadors of the seven leading industrial states to continue backing Egypt in slow-moving negotiations on International Monetary Fund help and debt rescheduling.

The President, who views the European Community as a chief supporter of his economic reform efforts, may also visit Italy and West Germany.

Gas attack 'sparked hijack battle'

THE GUN battle which ended a 26-hour bus hijacking in Lesotho 15 minutes after Pope John Paul arrived, was triggered by South African soldiers who released tear gas beside the vehicle, survivors said yesterday, Reuter reports from Maseru.

Three hijackers and a 13-year-old schoolgirl died in the 10-minute shootout inside the British High Commission compound on Wednesday.

Sister Florina Nyokana, one of the hostages said soldiers lobbed tear gas at the bus moments after the Pope's convoy passed a few hundred metres away.

Sister Florina said she thought South Africans were involved in the shooting. "I saw some white men," she said.

Lebanese pin hopes on a US-Syrian understanding

Jim Muir writes from Beirut on a political crisis which threatens the country with further violence

LESS THAN a week away from a presidential election – the outcome of which nobody can predict – Lebanon once again finds itself teetering on the brink.

If there is a consensus in Beirut, it is the belief that only an understanding between the US and Syria can prevent the country from plunging into fresh crisis and division.

The efforts of Mr Richard Murphy, the US special envoy, in the next few days will determine whether such an understanding can be found, and will have an important bearing on the political future of Lebanon and the role to be played there by Syria, which sent its forces into Beirut in February 1987 and now has an estimated 25,000 troops in the country.

The road to further chaos has been clearly mapped out. An election session of parliament has been scheduled for next Thursday, just one day before the end of President Amin Gemayel's term of office.

Under multi-confessional Lebanon's 45-year-old power-sharing arrangements the President is required to be a Maronite Christian, the Prime Minister a Sunni Moslem, and the parliament speaker a Shia Moslem. The problem has been finding a Christian candidate acceptable to all factions.

If Mr Murphy fails to produce agreement on a "consensus candidate", and the Syrians and their allies continue to press the contentious candidacy of former President Suleiman Franjieh, the hardline Christian Lebanese Forces militia will again boycott the election session, as it did successfully in August.

On the brink: from left to right, Gemayel, Franjieh, Murphy and Syria's President Assad

Apart from Mr Franjieh, the only declared candidate, other possible contenders include Gen. Michel Aoun, the Lebanese army commander, and Mr Raymond Edde, a Christian parliamentarian.

If parliament is denied a quorum and fails to produce a new president – as happened at an abortive first session on August 18 – there will be a constitutional vacuum.

Hard-line Christian leaders insist that in such a situation, Mr Gemayel must form a transitional government, headed by a Christian Prime Minister, to fill the gap. But the Syrians and their allies in West Beirut have denounced the step as a scheme for partition, and reaffirmed their support for the current government headed by Mr Selim al-Hoss.

With the two sides already exchanging accusations of intimidation, and tension rising along the Green Line dividing East and West Beirut, it is hard to imagine such a scenario going ahead without a relapse into violence.

Yet despite all the ominous signs, there is a surprising degree of optimism on both sides of Beirut that the Americans will somehow sort it out with the Syrians.

"We're still betting on a president emerging in the last quarter of an hour," said Mr Karim Pakradouni, deputy commander of the Lebanese Forces militia in East Beirut. "Murphy's arrival in Damascus is itself 50 per cent of the solution, and the other 50 per cent is up to the negotiations."

Underpinning the hopes, perhaps, is a belief that it is not in Syria's interest to see Lebanon plunged deeper into chaos. Violence has in the past served only to unify the Christian camp and stiffen its defiance. It would only make sense if the Syrians were willing to send their troops in to East Beirut to crush the Christian militia, a step from which they have always shrunk in the past.

The current climate of crisis has, it must be said, been largely generated by Damascus. Its continuing support for Mr Franjieh's bid for power was a clear challenge to the East Beirut Christian camp, to whom the former president is totally unacceptable.

Behind the brinkmanship is a clear Syrian insistence that the presidential election must be an occasion for change. So far, Damascus has refused to agree to the election of an innocuous, ineffective president who would simply perpetuate the status quo. It wants to use the election to break the deadlock which has paralysed Lebanon since January 1986, when the current Christian militia commander, Mr Samir Geagea, revolted against a Syrian-sponsored settlement amending the power-sharing arrangements.

Hence Damascus has so far made its approval of a consensus candidate conditional on acceptance of a reform package similar to the accord which was torpedoed in 1986 on the grounds that it gave away too much Christian power to the Moslems, and too much of Lebanon's sovereignty to Syria.

Hence, too, the special role allotted to the Americans. They, Syria believes, are the only party capable of exerting sufficient pressure on the Christians to neutralise Mr Geagea.

While the Syrians are looking to the US to induce change in East Beirut, the hard-line Christians there are clearly hoping that Mr Murphy can persuade Damascus to back off and accept a compromise candidate without insisting on prior agreement to far-reaching reforms.

If he fails in his unenviable task, the Syrians themselves will be faced with a choice. They could back down and accept a colourless president just to keep the peace. Or they could press ahead with their attempt to impose Mr Franjieh, and plunge Lebanon into further discord.

So far, the Syrians seem determined to try to tighten their grip over Lebanon. Their main fear appears to be that Iraq, now freed to some extent from its war with Iran, will use Lebanon as a springboard for anti-Syrian activities. They are particularly wary of the deepening relationship between Iraq and the Christian militia, whose officials admit that Iraqi interest in Lebanon has been rekindled since the Gulf war stopped.

Such considerations could lead the Syrians to switch their backing to the far from pallid figure of Gen Aoun whose undeclared candidacy is rumoured to enjoy some US support.

ISRAELI FOREIGN MINISTER TRIES TO STEM SYMPATHY FOR ARABS

Peres seeks UK's 'cool judgment'

By Andrew Whitley

MR SHIMON PERES, the Israeli Foreign Minister and Labour Alignment leader, yesterday called on Britain to use its influence with its European Community partners to restrain any rash initiative towards the Arab-Israeli conflict.

Speaking after talks in London with Mrs Margaret Thatcher, the Prime Minister, the Israeli official said Britain could exercise "cool judgment" in the present fluid situation in the Middle East. The outgoing coalition government in Jerusalem is anxious to block a groundswell of support in Western Europe for the possible declaration of a provisional Palestinian government for the Israeli-occupied West Bank and Gaza Strip.

The discussions with Mrs Thatcher were said to have focused on moves to block the supply of components and materials for biological and chemical weapons to the Arab world, another current preoccupation of Israel. Mr Peres is also understood to have raised the issue of Britain's supply of Tornado combat aircraft to Jordan.

With crucial elections due in Israel in less than seven weeks time, the Foreign Minister's two days in London and his forthcoming visit to New York – to attend the opening of the United Nations General Assembly and meet Mr Esmat Abdel-Meguid, his Egyptian opposite number, together with President Ronald Reagan – is intended to demonstrate to the Israeli electorate that the Middle East peace process is still alive.

Mr Peres told a press conference yesterday that while a Labour-led government would prefer to negotiate with a joint Jordanian-Palestinian delegation, it would be willing also to talk separately to the Jordanians and Palestinians.

Dismissing Mr Yassir Arafat's address on Tuesday to the Socialist bloc of the European Parliament as being of little significance, he called on the Palestinian Liberation Organisation leader to seize the present opportunity to make up his mind. "If he admires de Gaulle so much, why doesn't he try to become one?" he asked.

South African detainees stay in US consulate

By Jim Jones in Johannesburg

THREE South African anti-apartheid activists who escaped from custody on Tuesday have given no indication of when they will leave the sanctuary of the US consulate in central Johannesburg, in spite of assurances by Mr Adriaan Vlok, the Minister of Law and Order, that they would not be re-arrested if they left the building.

The three men believe that though the Government might find it difficult to re-detain them, it is considering other restrictions such as bannings or house arrest. This was the case some months ago when Mr Govan Mbeki, the ANC leader, was released from prison, and later banned.

Taipei reduces payments to defectors from China

By Bob King in Taipei

TAIWAN has significantly altered – but not ended – its policy of offering sizeable rewards in gold to military personnel who defect from China.

The move follows a decision by Peking recently to abandon entirely the practice of offering inducements to military defectors from Taiwan. Members of parliament, scholars, and the public here have long criticised the Government's multi-million-dollar rewards, saying they cheapen the images of genuine defectors by raising the possibility that money, rather than ideological commitment, prompts their action.

Over the summer, a pilot who defected two decades ago severely embarrassed the Government by demanding more money

● China has appointed 17 top military officers as full generals, following a decision to restore conventional ranks and move away from Mao Zedong's ideal of an egalitarian army, Reuter writes from Peking.

Zhao Ziyang, the Communist Party General Secretary who this year, in effect, took control of military affairs, formally granted the general's rank to the 17 at a ceremony on Wednesday and said this year's military reforms were vital.

One Western military attaché said the lack of ranks had led to battlefield chaos in China's 1979 war with Vietnam, when officers were unable to enforce orders among units other than those where they were personally known.

WORLD TRADE NEWS

Royal Ordnance US sales hit £175m with arms deal

By David White, Defence Correspondent

ROYAL ORDNANCE, the armaments company which the UK Government sold to British Aerospace last year, has brought to £175m ($292m) the value of its 81mm mortar system sales to the US, its most important breakthrough in the US market.

The latest order from the US Department of Defence, which the company said was worth almost £55m, comes with a further £14m worth of options.

The system, called M252 in its US version, is adapted from the one in service with the British Army and incorporates a US sighting system, improved ammunition and a blast attenuation device.

The company made its first inroads into the US last year with sales of this system as well as its 105mm light gun. In May this year it announced its first manufacturing project in the US, an explosives joint venture with Ensign-Bickford.

At the same time, the Plessey electronics group also announced the sale of a system derived from equipment used by the British Army, an integrated military communications network for the Austrian armed forces.

It said its share of the project, as "system design authority", was worth several hundred million schillings, without being more specific. A consortium made up of Kapsch and Siemens' Austrian subsidiary has prime contracting responsibility for the programme.

The system is described as a "son of Ptarmigan" – the digital battlefield communications system which the British Army has been using in West Germany since 1985.

Later that year, Plessey, teamed with Rockwell of the US, lost a $30bn contract in the US to the rival Rita system developed by France's Thomson-CSF.

UK to sign £300m credit deal with China

By Peter Montagnon, World Trade Editor

BRITAIN is to sign a credit agreement with China, expected to be for £300m, during the course of a visit there next week by Mr Christopher Patten, Overseas Development Minister.

The loan, to be made available under the Government's Aid and Trade Provision (ATP), will be the second such deal between the two countries. A credit line, also of £300m, was signed in 1986.

The Overseas Development Administration declined to give details of the deal before Mr Patten's departure for Peking today, but the Department of Trade and Industry has previously said that a £300m credit was under negotiation.

China has been relatively slow to negotiate projects under the existing loan, although it was used to finance a deal in the spring under which the Huaneng International Power Development Corporation contracted to buy £168m worth of power generating equipment from GEC. The present line, which carries interest at 5 per cent, is thought to be about two-thirds used up.

The new deal could provide a substantial additional boost for UK-China trade. Under the ATP system the Government is likely to use its aid funds to subsidise interest payments by China so that it will receive concessional loans of £300m.

Japan provides three soft loans for Sri Lanka

By Mervyn de Silva in Colombo

SRI LANKA has signed three loans with Japan totalling 3.4bn rupees ($61.6m).

Two of the loans will help finance projects of the state railways and the Ceylon Electricity Board (CEB).

The railways will use 1.6bn rupees to increase the carrying capacity of the city and suburban transport system. It will buy 20 diesel power coaches, 80 trailers and spare parts to replace its depleted fleet of old diesel locomotives.

Another 1bn rupees will be used by the CEB to modernise and reinforce its transmission network.

"The construction of 132 new transmission lines, new grid substations and the main digital radio ring will improve the country-wide communication system," the CEB said.

The rest of the yen credit will be used for buying Japanese goods named in a priority list prepared by the finance and trade ministries. Repayment is to be over 30 years at 2.5 per cent interest.

Telecom Australia wins Saudi contract

By Chris Sherwell in Sydney

A THREE-YEAR contract to manage Saudi Arabia's telecommunications network has been won by Telecom Australia, the country's domestic operator, with a competitive bid of A$86m (£40.6m).

The deal is said to be one of the largest international service export contracts won by an Australian company, and is seen as a breakthrough in helping to secure Telecom's position among the world's international telecommunications organisations.

Mr Mel Ward, Telecom's managing director, acknowledged yesterday that the price was important in winning the contract, but said Saudi Arabia's similar geography and climate and Telecom's use of Ericsson switching systems had helped.

Telecom is the world's second largest user of Ericsson equipment after Sweden, and has adapted some of it to the special conditions prevailing in Australia's arid hinterland.

The state-owned company's fledgeling international arm is currently bidding strongly for a A$125m turnkey contract in Thailand, and since its formation only 21 months ago has won more than 80 minor contracts spread across a score of countries.

Telecom won the contract in a 50-50 partnership with the local firm Natel, which is owned by the influential Nesma group. Nesma's interests are thought to include port operations, defence communications and maintenance work at US armed forces establishments.

They beat a consortium including Bell Southwest of the US and the Bundespost of West Germany, which bid more than A$115m.

The contract involves 130 staff rather than the originally planned 200. Bids for the latter included one from Bell Canada, which has held the Saudi contract for 10 years. For this, Telecom bid US$96m, against the tripartite consortium's US$127m and Bell Canada's US$327m.

Soviet food export deal

By Peter Montagnon

CIM, the Hampshire-based food processing company which is developing a food canning plant in China, is to enter the Soviet market under an agreement that should help promote Soviet exports of food products.

It has signed a joint venture agreement with SATRA, a trading company specialising in Soviet products, to identify and set up plants in the Soviet Union to produce indigenous foodstuffs and fruit and vegetable varieties, which, it says, will command premium prices in Western markets.

SATRA, an Anglo-American concern which introduced Coca-Cola to the Soviet market and handles the sale of Lada cars to the UK, already has an agreement with the Soviet Union to help develop its food industry.

Under the joint venture it will be responsible for identifying projects and arranging finance while CIM will be responsible for project management and the purchase and marketing of the end product.

CIM declined to give details of the likely projects yesterday but a spokesman said that among the products under consideration were frozen chipped potatoes, apple juice concentrate, tomato paste and fresh winter cucumbers for distribution in the West.

HK disquiet over trade image

By Michael Marray in Hong Kong

OVER the past few years, Hong Kong has grown used to being held up as a model of free trade by the steady stream of United States Administration officials and congressmen who have passed through the territory.

Despite being praised for market openness, however, government officials here lament the fact that the territory is all too often thought of as one of the four Asian Newly Industrialised Economies (NIEs) when trade matters come up for discussion around the world.

The habit of the US Commerce Department of releasing an Asian NIEs deficit figure within its monthly trade data *has only served to add to the* disquiet.

Mr Piers Jacobs, the colony's Financial Secretary, recently took up the issue when he delivered his half-yearly review of the economy.

Mr Jacobs said the US Administration had been generally helpful in maintaining a liberal stance on trade, and *was aware the structural* imbalance within its own economy had been a major factor leading to the current trade imbalance.

"But, on the other hand, public concern in the US over the trade imbalance has often been *misleadingly focused* on the contributions made to that imbalance by the United States' bilateral trade deficits," he added.

"The lumping together of Hong Kong with Taiwan, South Korea and Singapore *under such titles as the 'Four* Little Dragons' has been particularly unfortunate and misleading."

Local trade officials have pointed to the wide variety of economic structures, policies and trading systems to be found among the four, and object to the NIEs being presented as a trading bloc.

With the US trade deficit on a downward trend, tension on the trade front may have eased somewhat for the time being, but fears still linger of a future backlash against the US's Asian trading partners.

The Reagan Administration has been positive towards Hong Kong, but one of the few thorny issues is the link between the Hong Kong dollar and the US dollar. Local officials hope it will be understood in Washington that the link is in place for reasons of stability and not trade advantage.

Senator Lloyd Bentsen, Democrat, said a revaluation should be considered.

Zambians near to dying for a pint

Victor Mallet on the decline of a state-run beer industry

IF THERE is anything which demonstrates the failure of the more bumbling African governments to provide solace for their people in times of hardship, it is the rapid decline of the Zambian state-controlled beer industry.

Other countries on the continent have suffered equally catastrophic years of economic decay, but few have allowed an industry so fundamental to urban life to fall into such disrepair. Zaire, Nigeria and Tanzania may have neglected essentials such as transport and agriculture, but they have not ignored their beers.

"Whatever has gone wrong at both plants of Zambia Breweries must be corrected to avoid people's deaths," wrote a typically anguished Lusaka resident, Mr Lasford Chabatama, in a letter to a newspaper. Zambians, he said, were in danger of dying from drinking lethal concoctions of illicit spirits in the face of persistent beer shortages.

"I am not saying beer drinking is an excellent habit," he concluded, "but life would be hell on earth with everybody sober day and night."

Ever since the colonial powers *left* Africans with a taste for lager, the beer industry has become an important source of revenue for African governments, a major employer and a necessary ingredient for political stability – the army in Zambia gets cheap and plentiful beer.

After Zambian independence and a wave of nationalisations in the 1960s, the country's South African-run brewing industry fell into the hands of an unwieldy state conglomerate known as Indeco. It has not been a happy time for Zambian beer drinkers.

Where once there was a choice of three beers, now there is only one. Although labels appear only occasionally, every Zambian knows that the *familiar* brown bottle contains Mosi, successor to the popular dry South African lager called Castle. But Mosi is often unobtainable, or available only at a black market price appropriate for such a scarce commodity.

Beer has been in short supply for more than a decade and the reasons are all too familiar to African businessmen. Absence of competition, poor management and lack of maintenance, together with official price controls which ignored the need to invest in new equipment, all contributed to a situation in which the plant at the two state breweries was working at 50 per cent or less of its rated capacity.

Beer has been in short supply for more than a decade because of an absence of competition, poor management, lack of maintenance, and official price controls

Storage tanks were rusty, boilers out of order and bottling lines decrepit. Zambian beer became notorious throughout southern Africa for its poor quality – old hands still hold their glass up to the light as if expecting to find "floaters", mysterious black *objects which traditionally* lurk in bottles of Mosi.

Ironically the shortages have encouraged imports of South African Castle and smuggled beer from Zaire, for which the desperate and the rich are prepared to pay six times the price of Mosi. When Mosi does appear occasionally at a Zambian bar, hardened regulars will often buy their entire evening's consumption at one fell swoop to ensure a constant supply. "Beer shortage ruins disco," laments a newspaper headline, "Ndola guzzlers face Mosi blues," moans another.

It could not go on. The Dutch firm Heineken, already involved in a dozen other African enterprises, arrived in 1985 to implement a five-year recovery programme for Zambia Breweries. The newcomers were horrified by what they found. "I've never seen anything as ramshackle as the plant or the management structure here," said one of those involved.

As has become characteristic of Zambian economic policy-making, the Government first welcomed the 10-man Heineken team, then made life difficult for them. Payments to the company were delayed, foreign exchange for new equipment and spare parts was not disbursed and criticisms were voiced about "unnecessary" experts from abroad.

All of this may have something to do with President *Kenneth Kaunda being* a teetotaller – he often urges Zambians to drink less and recently sacked a cabinet minister in public for alcohol abuse.

"The progress of rehabilitation has been going very slowly indeed," said one of the experts connected with the programme. "We had expected to spend $20m in each of the first two years, and I would doubt whether we spent even $5m." Suggestions that Heineken should make a substantial foreign investment in Zambia and take control of the breweries from Indeco, or open one of their own, were vetoed by the Government.

Since the end of last year, however, the flow of funds has improved and repairs are at last under way. Retail beer prices were raised in January by more than 50 per cent. But Indeco remains understandably nervous about its reputation and is reluctant to talk. *Like* the disease AIDS, beer is a controversial issue that government officials do not care to discuss.

Privately, some members of Indeco's management are optimistic. Zambian annual demand is estimated at 1.4m hectolitres, present output at 1.0m and future production at 1.8m. "In the last year and a half the quality has improved a hundredfold," says a senior Indeco executive. "It used to have things floating in it, it used to be flat .... Now we even hope to have some for export."

It may be too early to think about exporting Mosi to the US as a speciality beer, as Kenya has done with its Tusker. At the moment it is difficult enough producing the beer at the same time as repairing and replacing the equipment – a halt in beer production is almost unthinkable even in a country as politically lethargic as Zambia.

"We are not disappointed with the programme," says the Indeco executive. "The only thing is that the public is a bit impatient."

YUGOSLAVIA

Vojvodina walks a political tightrope

In the first of a series, Judy Dempsey in Novi Sad reports on fears that Serbian protests in Kosovo could mean the end of autonomy for a northern Yugoslavian province

The nationalist-inspired demonstrations by Serbs against alleged intimidation by ethnic Albanians in Yugoslavia's southern autonomous province of Kosovo are spilling over into the northern province of Vojvodina.

Officials from this ethnically-diverse province – where there are six official languages and more than 20 different nationalities – fear that if the emotionally-charged demonstrations and ethnic tensions continue their special rights and autonomy will be compromised to the point that they will be forced under the direct control of the republic of Serbia.

Serbia has two autonomous provinces – Kosovo and Vojvodina. Serb demonstrators want a sharp reduction in Kosovo's autonomy because of alleged discrimination by ethnic Albanians against Serbs. If the Serbs get their way, Vojvodina's autonomy would be curtailed as well.

Officials and intellectuals from Vojvodina, a region which is often called the breadbasket of Yugoslavia because of its agricultural importance, are slowly beginning to take stock of what they regard as the country's most serious post-war crisis.

Crisis is a term Yugoslavia has lived with since 1948 when the late President Tito boldly stood up to Stalin and decided that Yugoslavia should determine its own model of socialism.

It is precisely that socialist model, bound by the intricate and complicated constitution of 1974, which created the autonomous provinces of Kosovo and Vojvodina, that is now being called into question in the form of proposed amendments.

Moreover, those amendments are seen as one of the main causes of the present wave of ethnic tensions.

At the same time, the constitution, which gave the six republics and two autonomous provinces a wide range of economic and political powers, is also seen as responsible for the current economic problems. In 1974, however, such an intricate constitution had a certain raison d'être.

By creating two autonomous provinces and constitutionally linking them to the republic of Serbia, the 1974 constitution aimed at curbing Serbia's political domination of the Federation.

"That constitution created eight individual communist parties; each going its own way, each duplicating big white elephant economic projects; each setting up unwieldy bureaucracies and administrations.

It can be best described as a kind of "autonomous autarchy where any consensus relied on the lowest common denominator and weak compromises," was how one Yugoslav economist put it.

Unusually, Yugoslavs today agree that the proposed amendments, which aim to break the log-jam and inertia of economic decision-making, are long overdue.

The uncertainty about the future status of Vojvodina and Kosovo is heightened by the position of Mr Slobodan Milosevic, Serbia's party leader, who advocates amendments to the Serbian constitution which will erode the much-cherished autonomy of the two provinces.

Officials in Novi Sad, the capital of Vojvodina, argue that the province "will be integrated fully into Serbia proper. Our autonomy, and thus our rights will end. We will lose all our authority."

It appears that Mr Milosevic is in a position to press ahead with curbing the autonomy of the provinces, because the constitutions of the individual republics must reflect and correspond to certain amendments made to the federal constitution.

Taking advantage of these federal amendments, Mr Milosevic is in the position of "defining the exact scope of the Serbian constitution" and how far Serbia can diminish the rights of the provinces.

Under the present Serbian constitution, the provinces enjoy many of those rights exercised by the republics. Vojvodina, for instance, is free to decide its own foreign policy relations, as well as its internal security, its judiciary and courts, its territorial defence (civilian rather than military), and – of crucial importance to the Vojvodians – many aspects of economic policy.

Mr Sredoje Erdeljan, the Vice-President of the Executive Council of Vojvodina, who is involved in economic policy, is far from happy with the proposed amendments, which would, for example, transfer decisions on investments and regional planning directly to Serbia.

In addition, other officials say that Vojvodina's steady road towards freeing the economy and agriculture from central planning and allowing more private initiative, would be reined in.

It is argued that central planning could adversely affect the economy in Vojvodina as well as its ability to feed the rest of Yugoslavia. At the moment, 50 per cent of the province's total agricultural output is earmarked for Yugoslavia, while the remaining 50 per cent is equally divided between exports and the region's own needs.

It is not only the economy which could be affected by the constitutional amendments. Mr Stanko Susnjar, president of the committee for legislative affairs, says that the province could lose control over some of its courts and its territorial defence.

"There are 33 amendments to the Serbian constitution. There are major differences between us and Serbia over three amendments," says Mr Susnjar. One of the most sensitive is the issue of territorial defence.

It now appears that Mr Milosevic is proposing that Serbia, and not Vojvodina, should decide on the organisation of this kind of defence, right down to the smallest village unit. Officials in Vojvodina believe that this would mean Serbs from Serbia would run these units. Serbia would also have the right to decide when and what forces should be sent in to any region of the republic.

The other issue is the courts, in which it is envisaged the Supreme Court of Serbia would in future play a greater role in Vojvodina's judicial affairs.

"We had more autonomy under the Habsburgs," one Vojvodina journalist said. "Then, we could appeal to the highest court in Vienna and not to any intermediary courts."

The gnawing away at Vojvodina's rights has engendered a form of "Vojvodinian nationalism."

But it is by no means certain that Mr Milosevic will get his own way. The assemblies of both Kosovo and Vojvodina have to endorse the amendments which must be prepared by the end of October.

But what Vojvodians fear most is that he may resort to nationalist demonstrations to push the cause of a "Greater Serbia." He has done this in the past.

Recently, Serbs from Kosovo marched in Vojvodina. There, they protested against the alleged plight of the Serbs in Kosovo and demanded moral support from their fellow Serbs in Vojvodina.

The Vojvodinans turned a blind eye. But more demonstrations of this kind could well encourage Serbs in Vojvodina to openly support their fellow Serbs in Kosovo.

"Tensions between the ethnic groups in Vojvodina could suddenly explode," a journalist from Novi Sad said, adding that nationalist Serbs in Vojvodina, who have already been involved in demonstrations in the province, could demand that the province be incorporated into Serbia.

Officials seem aware of this possibility. Which is why they are seeking allies with the northern republics to curb Serbia's grasping hand. In which case, Mr Milosevic could face a formidable and nationalist-inspired opposition to his proposed amendments.

Further articles in the series will be published in the Financial Times next week.

Belgrade exceeds IMF inflation target

By Aleksandar Lebl in Belgrade

STRONG inflationary pressures have ensured that Belgrade will not achieve its goal, agreed with the International Monetary Fund, of holding the rise in prices at 90 or 95 per cent for 1988.

This has emerged with economic data showing public sector revenues – as yet the nearest guide available to public sector spending – were far in excess of target in the first half of the year.

Prices rose 98.8 per cent between December and August alone, and inflation for the full year now looks likely to reach or exceed 150 per cent.

Total public revenues for the federal, republican and municipal administrations rose by 208 per cent in the first half of 1988, compared with a target of 152 per cent. Federal revenue jumped by 229 per cent, or 72 percentage points above the limit set for its growth.

The Government secured a standby IMF loan of SDR306m ($325m) after committing itself to a swinging austerity programme and to liberalising prices, imports and the supply of hard currency.

The secrets of becoming a best seller.

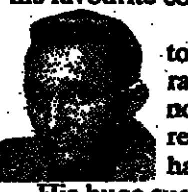
Going for the record

The best-selling record of all time is 'White Christmas', the work of Irving Berlin.

Berlin left home when he was 14 to sing for his supper in New York cafés, taught himself to play the piano by ear (but only in the key of F sharp), and went on to become the best selling songwriter the world has ever seen with hits like: 'There's No Business Like Show Business'; 'Anything You Can Do, I Can Do Better'; 'Doing What Comes Naturally'; 'Blue Skies', (sung by Al Jolson in the world's first feature length talkie – The Jazz Singer.)

Hardly a future you'd predict for the youngest child of a family of eight, born in deepest Siberia.

The best-selling recording artist of all time was Harry Lillis Crosby (who adopted the nickname Bing from a character called Bingo in his favourite comic – the Bingville Bugle).



Crosby owed much of his ability to sound like a man "singing into a rain barrel" to things which most normal people have surgically removed but which instead, Bing had hugely insured. Nodules.

His huge success is perhaps best explained in a typically modest epitaph he wrote for himself: "Just an ordinary guy who could carry a tune."

It was Crosby who immortalised White Christmas for Irving Berlin – and that's another way to find success in the music business: mastering the art of The Occasion Song.

All you've got to do is write about something which is guaranteed to happen time after time – 'Easter Parade' (originally called 'Smile and show your dimple'), Irving Berlin; 'Get me to the church on time', Frederick Loewe . . . that sort of thing. Never was this done more successfully than by Mildred and Patty S. Hill of New York. These two ladies wrote the most frequently sung song in the English language and also the first to be sung in space. What was it? 'Happy Birthday'.

Happy Birthday's popularity is challenged in the U.K. however by Sousa's 'Stars and Stripes Forever', lyrically amended to the more widely known 'Here we go, here we go, here we go' which, it is claimed, the average cabbage can be taught to sing in under two minutes.

From the ridiculous to the sublime. The man behind one of the fastest selling albums of 1979, was no ordinary mortal. He was (and is) God's Representative on Earth, Pope John Paul II.

His L.P. 'Pope John Paul II Sings at the Festival Sacrosang', included six solo tracks and various tracks where he's backed by nuns and choirs of several million people. It was released, with no sense of irony whatsoever, on the Infinity label.

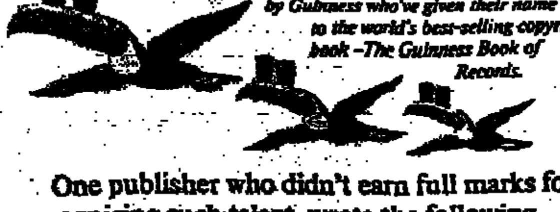
'Cherry tipped mounds of desire'

Predicting success in the literary world is as hard for publishers: "I would be the first to admit that there is no fortune in this series for anyone concerned . . ." (Allen Lane in 1935 just before launching Penguin Books) as it is for authors: "A little squib that might amuse you when it comes out . . ." (George Orwell on Animal Farm).

Who would have guessed that Jacqueline Susann's 'Valley of the Dolls' would become the highest selling work of fiction ever?

But success needn't be elusive if you know what people want.

Mills and Boon, (who once published authors like Jack London, Hugh Walpole and P.G. Wodehouse) obviously do, and although they reject the idea that their romantic fiction is written to a formula, the reason 200 million women read these books is assuredly not to learn about Duncan's piles, Amanda's acne or an unhappy ending in the local abattoir. And one of the best-selling romantic novels of the century very nearly wasn't. The manuscript of 'Tomorrow is Another Day' whose heroine was called Pansy, arrived in the publisher's hands in a large suitcase. The writer was Peggy Marsh and in 1936, after a lot of work, the story was released with a new title: 'Gone with the Wind'.



Any touch of Genius noticed in this ad was lent by Guinness who've given their name to the world's best-selling copyright book – The Guinness Book of Records.

One publisher who didn't earn full marks for recognising such talent, wrote the following cursory note to their new author: "If we do not receive the manuscript within six months, we shall be obliged to commission another author to do the work." It was to Karl Marx, busily trying to finish 'Das Kapital'.

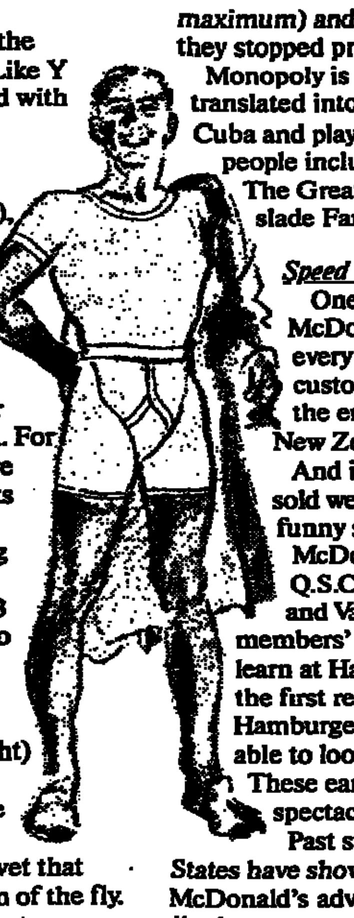
But how can someone with absolutely no writing talent whatsoever make it as an author? Well, you have to be ruthless.

Mao's 'Little Red Book' reached 800m people; the works of Generalissimo Stalin, over 670m people; and Hitler's guarantee of sales for 'Mein Kampf' was to make it an obligatory wedding present for every newly married couple in Germany.

"Dear Adolf, thank you so much for our lovely. . ."

The bottom end of the market

The secret of enduring success in the fashion business is to be definitive. Like Y Front – or as its progenitor was called with typical American forthrightness, the Kenosha Klosed Krotch.



With an elastic waistband (ticker-taped with the Jockey Y-Front name), inverted Y opening and the promise of 'No buttons! No loops! No front gaping!' Y Fronts were made, as another early ad for them ran, "like the Spitfire – scientifically built to fit the man."

Perhaps the only design failure for Y Fronts concerned left handed men. For (we hope), obvious reasons, they were quietly advised to wear their Y Fronts inside out.

But the most phenomenal clothing success story ever belongs to Levi Strauss who introduced Levis in 1853 when young men were being urged to 'Go West' by the wagon load.

Levis, (which have the distinction of bearing the oldest trademark in clothing history – the Seagull in Flight) have sold over two billion pairs.

Just about the only change to Strauss' original design has been to remove the rivet that used to be at the bottom of the fly. This was done after a customer stood too close to a camp fire . . .

Bin liners

If you want to get rich quick, then make something that's indispensable, disposable.

Take Kleenex. Their tissues were first marketed in the States to women as a cold cream remover in 1924, but people soon began using them instead of handkerchiefs.

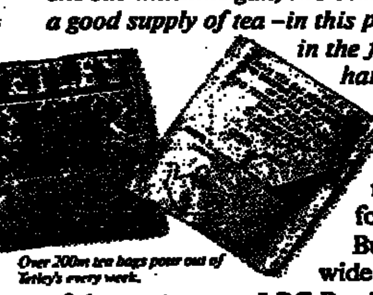
When Kleenex brought out a new Serv-a-Tissue box, their jingle promised:

"Kleenex Tissues are like no other,
Out pops one, up pops another"

which only goes to prove, it's not what you do, it's the way that you do it.

And who was the first to put *Camellia Sinensis* into a bag? Here's your answer, taken from an old copy of Practical Motorist and Motor Cyclist:

"Motor cycling to Australia? If any reader is thinking of such a trip he is recommended to bear in mind the equipment used by Mr and Mrs Tex Ledger. Among other items are two rifles, one sub machine gun, two automatic pistols and a good supply of tea – in this particular case in the form of Tetley's handy teabags."



Over 200m tea bags pour out of Tetley's every week.

Nobody got between the Tex Ledgers and their morning cuppa that's for sure.

But perhaps the most widely used disposables of the century are LRC Products' condoms.

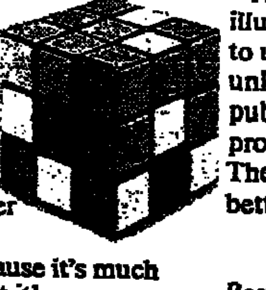
Britons buy well over 100m every year and can only sympathise with the occasional Australian tourist who, familiar with a brand of adhesive tape marketed under the same name back home, asks for a roll of Durex.

The numbers game

In 1976, Terutoshi Ishige from Tokyo filed to patent a design for a puzzle which would have given the world . . . Ishige's Cube.

Unfortunately for him, the Hungarian, Erno Rubik beat him to it. Or did he?

An American high school teacher, William O. Gustafson can claim to have invented the spherical forerunner of the Cube in 1958 – Gustafson's Globe. But the toy companies weren't interested.



Another inventor, Frank Fox, patented a 3 x 3 x 3 sphere in 1970. Being British, this was never heard of again.

Rubik's Cube is a success because it's much more than a puzzle. At first sight it's an impossibility.

What holds the thing together? What are the corners attached to? And how do I get out of this mess?

Very slowly is the answer. The makers claim the cube has over 3 billion combinations.

They're a little out. In fact it has

43,252,003,274,489,856,000

Probably the most popular board game of all time is Monopoly, which succeeded because it broke the rules.

When Parker Brothers bought the game in 1935 from its inventor Charles B. Darrow, they thought the novelty would wear off in about 3 years. It broke one of the most important rules of a good game by lasting for hours, (conventional wisdom recommended 45 minutes as a maximum) and it had no definite end to it. So they stopped production. But not for long . . .

Monopoly is sold in 32 countries, has been translated into 17 languages, banned from Cuba and played by well over 250 million people including me, Winston Churchill and The Great Train Robbers at their Leatherslade Farm hide out – using real money.

Speed merchants

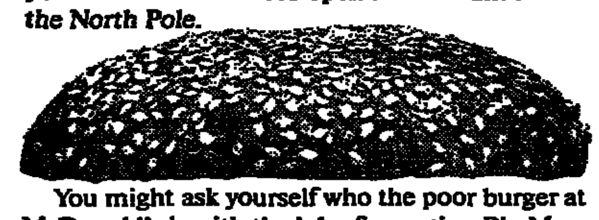
One hundred and forty five McDonald's hamburgers are eaten every second. They serve 19 million customers a day – the equivalent of the entire population of Australia and New Zealand.

And if all the burgers they'd ever sold were lined up, there'd be a very funny smell around.

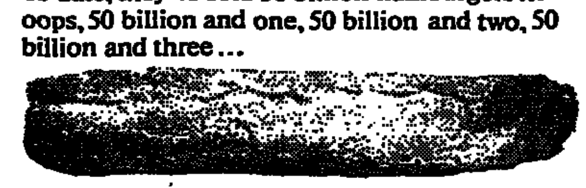
McDonald's put their success down to Q.S.C.&V. (Quality, Service, Cleanliness and Value), something their 'crew members' (staff to you and me, or is it I?) learn at Hamburger University. Yes indeed, the first red-blooded Bachelors of Hamburgerology passed out in 1961, never able to look a cow in the eye again. These early graduates did their job spectacularly well.

Past surveys in the States have shown that a McDonald's advertising jingle was second only to the U.S. anthem in terms of awareness and that children under ten ranked Ronald McDonald alongside Santa Claus as the most likeable adult they knew. What about Ma and Pa?

McDonald's claim that: "We take the business of making hamburgers more seriously than anyone else," and if you doubt this, ask yourself who else would open a restaurant at the North Pole.



You might ask yourself who the poor burger at McDonald's is with the job of counting Big Macs. To date, they've sold 50 billion hamburgers . . . oops, 50 billion and one, 50 billion and two, 50 billion and three . . .

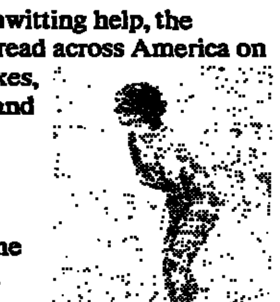


The art of promotion

'September Morn' painted in 1912 by the French artist Paul Chabas owed its popularity to a cunning bit of promotion.

Shipped to the States in search of a buyer, the New York gallery owner, sensing the value of some carefully stage-managed moral outrage, gave the picture prominence in his gallery window, tipped off the head of the New York Society for the Supression of Vice, (one Anthony Comstock) and earned instant notoriety for it.

With Comstock's unwitting help, the painting's popularity spread across America on posters, matchboxes, sweet wrappers and finally, on a calendar. Thus was born the world's first glamour calendar.



September Morn.

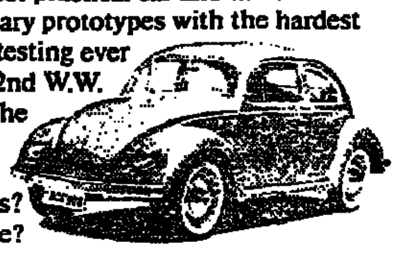
It was by no means the world's most successful however – the Pirelli calendar, (which began life aimed at tyre fitters and ended up 'Britain's greatest office status symbol') lays claim to that title. The Pirelli calendar in turn owes its existence to another American, Tom Kelley.

At a time when calendars were using illustrators, he persuaded a printer to use some nude shots of a young, unknown model. One of them, published as Golden Dreams, promptly sold eight million copies. The model? Norma Jean Baker, better known as Marilyn Monroe.

Beetle Mania

On 17th February 1972, Volkswagen (literally the 'People's Car') broke the production record previously held by the Model T Ford with their 15,007,034th Beetle.

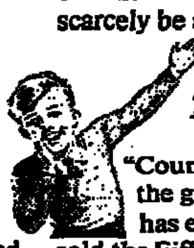
It was Hitler, (who had a Mercedes himself) who gave Ferdinand Porsche the idea of designing the world's most practical car and then provided the military prototypes with the hardest few years of road testing ever by beginning the 2nd W.W.



But who holds the record for making the greatest number of vehicles?

Dinky – who else?

With millions of cars, buses, trucks, tanks, and missile launchers to their credit, there can scarcely be a single British male over 30 who didn't have a little Dinky as a boy.



The world's best Seller?

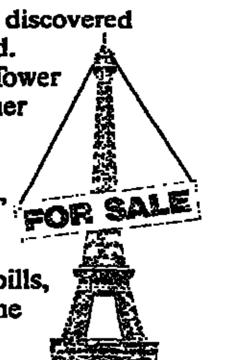
Nobody comes close to "Count" Victor Lustig, the greatest con man the world has ever seen. The man who sold the Eiffel Tower not just once, but twice.

During his career, Lustig worked under 24 aliases and was arrested 47 times with no convictions.

Selling the Eiffel Tower for salvage was, as it were, the pinnacle of his career.

Posing as a senior civil servant, Lustig invited five scrap metal merchants to tender sealed bids for the job. The unfortunate whose tender was accepted was too embarrassed to make a fuss when he discovered he'd been conned.

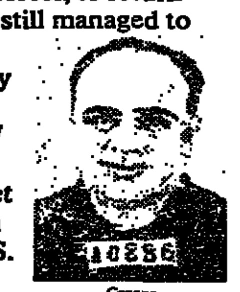
So Lustig sold the Tower all over again to another sucker.



But he didn't stop there. With half of Europe on his tail, Lustig went to America where he sold a machine, supposed to be capable of making $1,000 bills, to an Oklahoma sheriff. Sadly the sheriff was later arrested for passing counterfeit currency.

His most audacious sting however was almost his last. In a moment of madness, Lustig tried to take Al Capone for $50,000.

Incredibly he got as far as walking out of Capone's Chicago fortress with the money. He was later persuaded by polite enquiries as to his whereabouts from Capone's personal bodyguard, one Nitty the Enforcer, to return with the money. Even so, he still managed to touch Capone for $5,000 by admitting to being 'financially embarrassed'.



Capone after his number was up.

He died in Alcatraz in 1947 having attracted the very serious attention of the Secret Service by pumping over $1m of 'queer' money into the U.S. economy.

On the death certificate, the entry made under Occupation was: 'Apprentice Salesman'.

The world's best-selling Series

Nope, it's not The Archers or The Waltons, it's the Epsons, (the FX850/1050's to be precise) latest models in the world's best-selling printer series.

If, like Sohachi Tamaoka, who has spent the past twenty years serialising his epic novel 'Tokuga-Wa-Ieyasu' in a Japanese paper, you're in no rush to get into print, read no further.

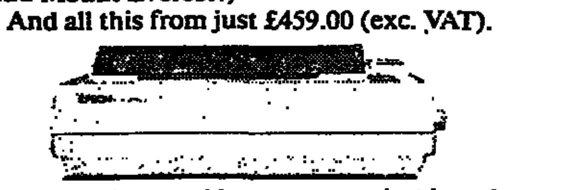
If on the other hand you'd like to get into print a bit quicker, Epson can let you in on the secret of their success: making the best, better.

In draft, the new FX's give you 264 cps at 12 cpi. That's more characters per inch than P.G. Wodehouse ever managed and 10% faster than the last FX's.

You've also got two NLQ fonts to play around with; an improved SelecType panel and a paper handling system that even Kleenex wouldn't sniff at. At the touch of a button you can flip the Epsons from cut-sheet to continuous stationery.

(Speaking of sheets, did you know that Andrex sell enough toilet paper each year to build Mount Everest?)

And all this from just £459.00 (exc. VAT).



Angela's pretty blue eyes opened wide with surprise. Frank's breast heaved.

"Isn't that the same price as the old FX's?" she blurted.

Their secret out at last, Frank stopped heaving and smiled, his rugged good looks looking even more rugged and good.

This was the way he'd always dreamed it would end: with an address to write to for more information:

Epson (U.K.) Limited, Freepost, Birmingham B37 5BR.
Or call up Prestel *280#; or ring 0800 289622 free of charge.

EPSON

UK NEWS

Economic data add to inflation fears

Unemployment down, but earnings growth hits 9%

By Philip Stephens and Simon Holberton

THE REMARKABLE buoyancy of Britain's economy was underlined yesterday by a string of official indicators, but there were also signs of a further worsening in the inflation outlook.

The Government reported a sharp fall in recorded unemployment in August, marking the 25th consecutive monthly decline and taking the official total down to its lowest since 1981. At the same time, official returns showed a strong rise in industry's investment spending, suggesting that companies are responding to rising demand for their products by expanding capacity.

Less encouragingly, the annual growth rate of average earnings jumped to 9 per cent in July, the fastest since 1982, and the Government confirmed a rapid widening in Britain's trade gap.

The earnings figures intensified concern in financial markets that an expected rise in inflation over the next few months because of higher mortgage interest rates could be reinforced by increasing pay awards. Signs of a further acceleration in the growth rate of Mo, the Treasury's key indicator of the money supply, also prompted unease.

Mr Nigel Lawson, the Chancellor, signalled earlier this week that the August figures for retail price inflation, due today, will show a rise to well over 5 per cent from the 4.8 per cent seen in July. He also predicted another jump in October, although he insisted that the acceleration would mark only a "temporary blip".

The Government is concerned, however, that the acceleration *could* prompt industry to concede higher pay awards in the autumn pay round, in turn generating more sustained inflationary pressures in the economy.

Mr Norman Fowler, the Employment Secretary, said that some of the upturn in earnings growth was attributable to higher overtime pay and bonuses, but he added that excessive pay settlements would damage prospects for jobs.

Yesterday's jobless figures, released by the Department of Employment, indicate that the seasonally adjusted total of those eligible for unemployment benefit fell by 45,000 in August to 2.267m.

Mr Fowler said that Britain's jobless rate had fallen faster than in any industrialised economy over the past year and was now lower than in most European Community countries.

However, Mr Michael Meacher, Labour's employment spokesman, said falls in the total were mainly a reflection of changes in the composition of the statistics and that the true total was still close to 3m.

Separately, the Department of Industry said that investment in manufacturing industry was 13 per cent higher in the second quarter of the year *than in the comparable period* of last year.

Figures for the balance of payments, however, confirmed the sharp move into deficit this year, with the current account deficit for the first six months of 1988 put at £5.8bn compared with a surplus of nearly £500m in the first half of 1987.

UK financial markets barely reacted to most of the official figures, which were seen as largely historical. Prices in the gilt-edged securities market did fall, however, after release of the Bank of England's weekly banking return.

This showed that the value of bank notes was 10 per cent higher in the second week of September than a year earlier. Bank notes represent 85 per cent of Mo, the narrow measure of the money supply which the Treasury targets, and the current growth rate suggests that Mo is accelerating.

Pay growth fastest since 1982

By Philip Stephens, Economics Correspondent

THE underlying pace of earnings growth in Britain has quickened to its fastest since 1982, with average earnings in the year to July rising by an annual 9 per cent against 8¾ per cent in June and 8½ per cent at the start of the year.

The acceleration, spread evenly across the manufacturing and service sectors, prompted a warning yesterday from Mr Norman Fowler, the Employment Secretary, that "excessive" pay awards could damage prospects for further falls in unemployment.

It also heightened concerns about the outlook for inflation, with Mr Fowler urging pay bargainers not to use an expected quickening in the rate of retail price rises over coming months as provide an excuse for higher pay awards.

A number of big car makers face settlement talks over the next few months, while pressure for additional pay supplements in industries like banking and finance in the south east is expected to intensify.

The latest rises in earnings, shown in official figures released by the Department of Employment, appear to reflect a combination of increased overtime and bonus payments and a general upward drift in the level of basic pay deals.

The number of hours of overtime worked in July rose to 13.74m against 12.49m in the same period a year earlier, but the Government's pay award to the nurses also contributed to the acceleration.

However, for the moment at least, much of effect of rapid earnings growth on the costs of manufacturing industry is being offset by rapid rises in output and productivity. Figures released earlier this week show manufacturing output rising at an annual rate of about 6½ per cent, while productivity gains have been averaging around 7 per cent.

An anniversary to forget

Ralph Atkins on 13 years of high unemployment

CELEBRATIONS are unlikely as Britain this month marks the 13th anniversary of an unemployment figure over the million mark. Joblessness remains an unwelcome scar on the UK's economic performance.

Not since September 1975 have official figures measured unemployment simply in hundreds of thousands. Today's Department of Employment figures for August showed a fall in unemployment – yet the total still exceeded 2m.

Since its peak of 3.2m in July 1986, seasonally adjusted unemployment (excluding school leavers) has dropped steadily to about 2.3m, or 8.2 per cent of the workforce. A healthy fall, perhaps; but the figure is still historically high.

The decline takes account of changes in the method of measuring unemployment. Without doubt, it also reflects in part the exceptional pace of UK economic growth. Buoyant demand is persuading companies to take on more people from the job queues, or so the government brief might interpret the trend.

However, the figures still require a health warning. First, they measure unemployment simply as those claiming unemployment benefit.

If a person is actively seeking work but is not entitled to or does not claim benefit, he or she is not officially listed as unemployed. Second, they do not take account of the effects of tightening tests of availability for work.

Indeed, many argue that the fall is far less than official figures show. For example, the Employment Institute has said that measuring unemployment as the labour force minus employment produces a much smaller drop. The Department of Employment counters that that is misleading because measures of the labour force are based largely on approximations.

For all the arguments over the figures, few would dispute that unemployment is on the way down. A more important question – and more difficult to answer – is where it goes next.

Recent falls have coincided with two years when the UK economy has grown by about 4 per cent a year. If growth slows down in the 1990s, as is widely expected, the declining trend may peter out.

The high level of unemployment suggests that its causes in the early part of the decade are proving irreversible. In the first years of Mrs Margaret Thatcher's premiership, strict monetary controls against a background of oil price rises and worldwide recession are widely blamed for the big shake-out in industry. Unemployment rose from a low of 1.1m in September 1979 to more than 3m by 1986.

The economic outlook is much rosier today, although the rise in unemployment between 1979 and 1986 has been only slightly mitigated. On the other hand, the Government can fairly argue that further improvement in the labour market may have been disguised for two reasons.

First, the effect of time lags: not surprisingly, the economic upswing appears to have been demand-led. Factories have responded to increased demand from consumers by increasing output, rather than the other way round. This year the UK is enjoying a massive investment surge, which might increase future employment.

Second, demographic trends were unfavourable in the early 1980s. There was a big rise in the size of the working population, especially in the group under 25, where unemployment rates tend to be higher.

Looking into the 1990s, demographic trends will be more accommodating. Department of Employment projections show the labour force increasing at an annual rate of 0.3 per cent in the next seven years compared with 0.7 per cent between 1981 and 1987.

When, then, will unemployment fall below 1m again? It is unwise to be too optimistic. Simulations by the Ernst & Whinney Independent Treasury Economic Modelling Club suggest such good news may be delayed until well into the 1990s at the earliest.

The results indicate that unemployment will indeed fall in future years. On the optimistic assumption of 3 per cent growth a year, unemployment would fall to 2.2m next year and to 1.4m in 1992.

However, the conclusions are sensitive to the assumptions made. For instance, they assume a fall in the rate of increase in earnings – which seems unlikely if the economy continues to grow at such a fast pace. If manufacturing earnings growth is held at 9 per cent a year, unemployment falls to only 1.6m in 1992.

Moreover, to expect 3 per cent annual growth may be unrealistic. Fast growth is already leading to a big trade deficit, which would worsen if growth were to continue at such a pace. The Government would almost certainly be forced to act to slow activity.

Taking account of those factors, unemployment may scarcely fall below 2m before the middle of the next decade.

This may seem gloomy, but there are good economic explanations to suggest that it is not unreasonable. The link between economic growth and job creation is far from clear.

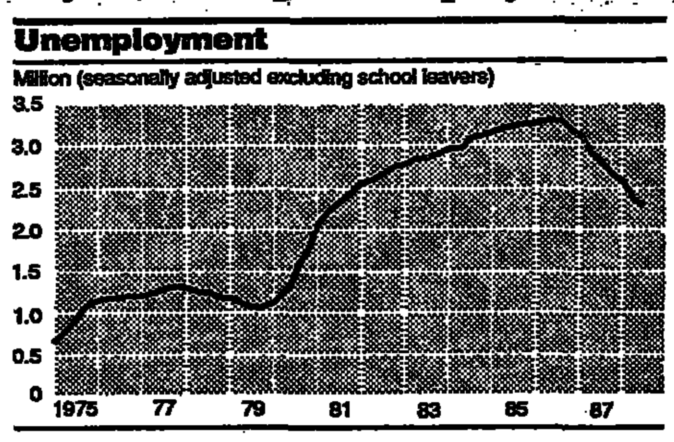
A rise in output can be achieved by increasing productivity as well as by increasing employment. Productivity has been rising steeply recently but much of the benefit in terms of lower labour costs (and therefore more jobs) has been eaten up by higher earnings for those in work.

That is due to wage rigidity, or more precisely, downward wage rigidity. Whereas earnings tend to rise quickly when labour is in short supply, high unemployment has not produced the reverse effect.

Some government supporters would blame that on the strength of unions, which they say are concerned mainly with the interests of members in employment.

Similarly, there is frequently a mismatch between the unemployed and vacancies. Jobs lost in manufacturing industry, for instance, have mainly been full-time and filled by males. The rise in service industry employment has often been of females working part-time.

Government training and job-creation schemes may help to ease such structural difficulties. But it might be a long time before this worthy aim succeeds in bringing employment back once more to the levels of 15 years ago.



Fowler: seeks co-operation

Minister abolishes training commission

By Charles Leadbeater, Labour Correspondent

MR Norman Fowler, Employment Secretary, yesterday abolished the 10-strong governing body of the Training Commission, the Government's job training agency, and announced plans to abolish the Commission itself.

The move ends the last forum through which the TUC and Confederation of British Industry jointly exerted some control over important aspects of Government policy.

It foreshadows a fundamental restructuring of national training policy to be detailed in a White Paper policy document to be published in November.

The White Paper will establish a new central agency to co-ordinate training provision in co-operation with local training bodies, which will have considerable powers to organise training and job creation initiatives.

Employers are likely to have a majority of seats on the governing bodies of these local organisations, which may have much of the Training Commission's £3.1bn a year budget devolved to them.

The decision marks a watershed in Government policy-making. The Training Commission was set up in 1974 as the Manpower Services Commission and formed part of the tripartite policymaking machinery, involving the TUC, the CBI, and Government, which successive post-war governments were committed to.

It oversaw programmes for young people, unemployed adults, as well as vocational education, in schools, colleges and universities.

Its governing body was made up of three TUC nominees, three CBI commissioners, two local authority representatives, an educationalist and a part-time chairman.

It will be replaced in the short term by an agency within the Department of Employment, which will work directly to Mr Fowler. The agency will be responsible for running the Training Commission's programmes until it is replaced.

Mr Fowler said the policy-making governing body had to be abolished after the TUC's vote last week to boycott the Government's recently launched Employment Training programme for the adult unemployed. The programme, with an annual budget of £1.5bn to provide an average of six months training for 600,000 adults a year, is the commission's largest project.

Mr Fowler said it would be impossible for the TUC's commissioners to take responsibility for a major programme to which the TUC was opposed.

He said he hoped individual unions would continue to co-operate locally with Employment Training and other programmes. Unions will be invited to participate in the local bodies to be established by the White Paper.

IRA relatives plan civil action against Ministry of Defence

By Joe Garcia in Gibraltar

RELATIVES of Irish Republican Army members shot dead by the SAS in Gibraltar last March are planning to take civil action against the Ministry of Defence in the Northern Ireland courts, the brother of one of the dead said yesterday.

Mr Niall Farrell, the brother of Miss Mairead Farrell, one of *the terrorist gang, said* outside the court after the SAS soldiers had finished their evidence: "I think the evidence has shown clearly that they (the IRA trio) were murdered."

Mr Farrell was speaking after the inquest heard that the seven-strong SAS squad had decided to attend the Gibraltar inquest because, as one of the soldiers said yesterday: "We wanted to give our evidence to put the story right."

The SAS man, identified as Soldier D, made the unexpected statement at the end of his cross-examination. He said: "All the soldiers, from A to G, have come here because we wanted to. We were not told to come here, we were not press-ganged. We wanted to give our evidence to put the story right."

Earlier, describing his part in the killings of the three IRA members – Mr Sean Savage, Mr Daniel McCann and Miss Mairead Farrell – Soldier D said he had to push a woman passer-by out of the way as he took aim at Mr Savage, who he and Soldier C had been moving in to arrest.

He said his partner had shouted "stop" before they opened fire as the IRA man spun round with his hand moving to his jacket pocket. Soldier D said he fired nine rounds at Mr Savage from two metres.

He denied putting his foot on the terrorist and firing into the body on the ground, or that the attack had been frenzied, as had been suggested by a pathologist in earlier evidence.

At one stage Mr Paddy McCrory, representing the families of the IRA members, said to Soldier D: "I suggest you appointed yourself Lord High executioner of Mr Savage?" The soldier replied: "That is definitely not true."

MP defies unity call by SLD leadership

By Charles Hodgson

MR DAVID ALTON, the Social and Liberal Democrat MP, last night defied appeals from party leaders for unity and confirmed that he would refuse to accept a House of Commons *portfolio under Mr Paddy* Ashdown, the SLD leader.

Mr Alton said he could not give Mr Ashdown the loyalty required of a frontbench spokesman, because of disagreements with the party leader in key strategy areas.

His comments come only 24 hours after Mr Ian Wrigglesworth, the SLD president, called for a "maximum display of loyalty" from party members, particularly the 19 MPs, at the party's first conference in Blackpool later this month.

Mr Alton, speaking on BBC Radio, said he had two main objections to Mr Ashdown's strategy.

First, he opposed the proposals, favoured by Mr Ashdown, *for the party to be called the Democrats.* To drop the word Liberal from the title amounted to a betrayal of former Liberals, Mr Alton said.

Second, Mr Alton said it was "an act of futility" to talk in terms of destroying the Social Democrat Party, led by Dr David Owen. It was Mr Ashdown's refusal to contemplate electoral pacts with the SDP that led to Mr Alton's resignation as the party's Northern Ireland spokesman last month.

Mr Alton accused Mr Ashdown of leading the party on a course that could result in "electoral suicide" by ruling out co-operation with the SDP.

His comments make it even more likely that internal disagreements will overshadow the conference, in spite of appeals from the leadership

Other SLD MPs, including Mr Geraint Howells, the Welsh MP who was Mr Alan Beith's campaign manager during the leadership contest in July, are also understood to be reluctant to serve Under Mr Ashdown.

Thatcher to speak on future of Europe

By Peter Riddell, Political Editor

MRS Margaret Thatcher, the Prime Minister, will next week set out the most comprehensive statement so far of the British Government's views on the future development of the European Community.

She is expected to explain in detail the British position on the creation of the internal European market after 1992, including the strong UK objections to the creation of a European central bank and to community proposals to harmonise indirect taxes, including value added tax.

Her speech, during a brief visit to Belgium before she goes to Luxembourg and Spain, will be her first major statement on Community affairs made on the Continent for two years.

Her intention is apparently to pull together recent statements to make clear the British view before a series of *council of ministers' meetings* this autumn which will consider the implications of the internal market commitment.

There are not expected to be any new initiatives in her speech, the theme of which will reflect the spirit, if not the words, of recent BBC radion interview. She used that occasion to criticise strongly the approach of Mr Jacques Delors, the president of the Commission, after he had talked about a majority of decisions being taken at a Community level rather than by national parliaments.

Mrs Thatcher will set out what she sees as the positive steps Britain has taken towards the creation of a freer internal market by, for example, removing exchange controls, and will argue for a market-based approach to the creation of the internal market.

As the Treasury made plain in a detailed submission to the Council of Ministers published last week, the British Government is not only opposed to the *harmonisation of indirect taxes* but also favours the retention of some border controls to deal with terrorism and with drug and health problems.

Unichem share scheme 'unfair'

By David Waller

A CONTROVERSIAL share incentive scheme introduced by UniChem, the pharmaceutical wholesaler owned by independent chemists, is anti-competitive, the Office of Fair Trading has ruled.

This is the conclusion to an investigation under the Competition Act 1980 which was opened in May after numerous complaints from Unichem's competitors. UniChem rejected the findings, and it now seems *likely that the scheme will be* referred to the Monopolies and Mergers Commission.

Under the scheme, chemists are offered bonus shares linked to the level of business placed with UniChem. The shares are sold at £1 compared to a price of at least £12 which UniChem claims they will fetch when it discards its unusual status as a friendly society and seeks a stock-exchange listing in 1990.

The OFT said that the scheme *distorts* competition in that it has enabled Unichem to win a greater share of the £1.5bn market, not by cutting its prices or improving its services to *its customers.*

Instead, the OFT found, "new business is being bought with discounts largely financed out of the share capital of existing members."

UniChem took issue with the OFT's conclusions. "We do not believe that the the scheme is anti-competitive," said Mr Peter Dodd, UniChem's chief executive. He claimed that it was incorrect to suggest that the co-operative had not increased its efficiency, saying that the unit cost of distribution is automatically improved as business increases."

Unless Unichem offers an undertaking to remove the anti-competitive element of the scheme, Sir Gordon Borrie, director-general of fair trading, will refer the matter to the Monopolies and Mergers Commission.

If the commission confirms the OFT's findings, Lord Young, Secretary of State for Trade and Industry, has powers to prohibit the scheme, or to remedy any damaging effects. This could mean pro*hibiting the allocation* of shares in Unichem as planned.

Mr Dodd said that he was confident that UniChem could prove to the MMC was neither anti-competitive nor against the public interest. In the meantime, the scheme will continue, with the first allocation of shares scheduled for January next year.

The scheme, introduced in January this year, soon provoked howls of protest from Unichem's principal competitors, AAH and Macarthy, two listed companies. Both greeted the OFT decision with glee, and AAH said that it would now seek damages from UniChem under the Treaty of Rome, a course of action already being pursued by Macarthy.

From Unichem's point of view, the scheme has been a great *success, fuelling sales* growth in a static market. Unichem has forecast that it will increase its sales from £542m to at least £700m in the current year.

THE PROPERTY MARKET

William Cochrane looks at the growth and specialisation of independent property researchers

Children of the prosperous 1980s

Left to right: Michael Nicholson, Rupert Nabarro, Yvonne Court, Geoff Marsh

Unlike London's hollow equity market, where lack of volume has left individuals and firms being bought, sold and ditched, commercial property is still growing fast and the once-humble researcher is in high demand. Information is now seen as a key resource in the industry.

Only this week agents Healey & Baker said that their managed funds were showing annualised overall returns either side of 30 per cent, and that there were no signs yet of rental growth slowing down. Thus encouraged, developers have been looking at complex or unusual deals; institutional investors are demanding more information; and the banks are asking for detailed facts to back their acceptance of risk.

Property research, which started in a stock market context in the 1960s and then spread to major firms of chartered surveyors, has shown exponential growth in volume and depth in the 1980s. Agents have turned themselves into researchers and recruited from halls of learning or from institutional investors. In their turn, they have been plundered by stockbroking firms or banks. And some of their best talent has gone out on its own.

Today, the top independents are highly rated, and keen to concentrate on what they do best. This has prompted four of the leading independent database and consultancy companies to enter an informal association. They ignore minor areas of overlap and say that they will give, say, 20 per cent of a contract to another member if that produces the best result. These four are:

- Applied Property Research, one of the prime sources on the Central London office market;
- CACI, which has a division providing demographic information on urban areas and retail location analyses;
- Investment Property Databank, particularly strong in portfolio and performance analysis, and market indices;
- Property Intelligence, whose FOCUS on-line databases act as a system of reference for commercial property.

Michael Nicholson, managing director of Property Intelligence, left agents Knight Frank & Rutley at the beginning of 1984 to bring out the FOCUS database. A chartered surveyor, he thinks that the agent's job is first to exercise expertise in making judgements and decisions, and secondly to collect information.

"In the 'old days' the surveyor spent a lot of time collecting information, and less on decision making," he says, "but at that time nobody had annual revaluations, rent reviews were once in a blue moon and the complexity of today's property investment deals would be inconceivable." Now, he says, they are in a classic two-way squeeze, needing to ingest more information and, at the same time, make more judgements.

"People used to be interested in 'comparables' — effectively precedent on rent and value — evidence of transactions and in ownership," he elaborates. "Surveyors were happy with that level of input for quite a long time. Then people said there's more, much more: prospective tenant demand, existing and potential supply, relative portfolio performance." Research, says Mr Nicholson, was moving from the past and into the future. "The shift was pretty crucial."

Geoff Marsh exemplifies the move, and the rewards it can bring. Having set up CLOR (Central London Office Research) for top agents Jones Lang Wootton, he left them in 1984 to found APR, took an entrepreneurial approach to exploiting his own database and found himself the target of an agreed takeover bid earlier this summer by Rosehaugh, the kingpin of Central London office development.

Rosehaugh, jointly with Stanhope, is shifting its sights from the massive, £2bn Broadgate office complex on the City of London 'fringe' — regarded as high risk before Big Bang — to the even more ambitious, and chancy-looking £6bn redevelopment of the railway lands behind King's Cross station in north London. This reduces the potential embarrassment for Mr Marsh of taking, and maintaining, a bearish stance on City of London occupational prospects — for he is much happier about prospects for West End offices and, given limited supply there, the prospects for decentralisation.

In fact, he is very happy about his new parent. "Not a single constraint has been imposed on us that we didn't have before," he declares. He aims to keep his information business growing "to pay the bills", and to go more into the interpretation of information. This, the consultancy end, is likely to gravitate towards work for Rosehaugh which, he says, "is the ideal vehicle for the type of analysis which I want to do."

He implies that Rosehaugh wanted him and his company to reinforce what was already deep-rooted in the group — "combining the exploitation of day to day opportunities with long-term strategy." He thinks that Rosehaugh should be perceived not as a property company but as one which understands the role of property in generating profits.

Rupert Nabarro founded the Investment Property Databank in 1985. Sponsored by six high-echelon firms of chartered surveyors, IPD now has a record of about 10,000 properties worth some £20bn — more than double last year's monetary figure and, he muses, "not far from half of the total property market."

He provides major property indices, portfolio analysis and investment research and knows, he says, IPD's strengths and weaknesses. "We're good at rents, yields, and how much investment is going on," he says. "We're not so good at listing planning permissions, rental deals and development starts, and that's where the link with FOCUS, and the others, comes in."

He offers an example. English Estates, the government-sponsored developer of industrial estates which has been moving into broader pastures in recent years, wanted a national overview of the investment and development markets to judge when to dispose of some of its properties. Individual chartered surveyors, says Mr Nabarro, were found to have limited information in such an extensive context.

"We churned our database for rents, yields and the recent pattern of rental growth," he says. "This pointed up the prosperous areas, like the South East, and very depressed areas like Merseyside and Scotland, but it also picked out a middle bank of rental growth in the east Midlands, through Northamptonshire as far north-west as Greater Manchester where the market was beginning to move."

"We didn't have a picture of how much investment was going on so we searched the FOCUS database; we saw fantastic development in the south but very little in the middle bank and, therefore, considerable opportunities for rental growth there in the next 18 months."

The fourth participant, CACI is a US-quoted company with offices in Washington DC, New York, Los Angeles, London and Edinburgh, and is much bigger than the other three with a total of some 100 professional staff. Its property group comprises two consultants, and 10 to 12 back-up staff, says one of the consultants, Dr Yvonne Court.

The group is based on the retail trade and the supply of quantitative data but Dr Court says that it, too, has been able to move into consultancy via feasibility and impact studies for major retail schemes, serving developers and institutional investors. CACI's closeness to population trends has allowed it to diversify a little - "we have worked with residential agents and volume housebuilders," says Dr Court — and at present it is developing an out of town database.

What will happen to CACI if someone put the lid on retail spending? Indeed, what will happen to independent property research, a child of the prosperous 1980s, if the economy really turns sour? Researchers in past stock exchange bearmarkets found themselves unwanted when their paymasters lost interest in investment arithmetic.

Dr Court says that CACI's experience of the early 1980s, an uncomfortable time for the retail market, was that customers needed the data even more. For the rest, thankfully, property is a long term business.

INTERNATIONAL PROPERTY

COMPANY NOTICES

NOTICE OF ANNUAL GENERAL MEETING OF MID WYND INTERNATIONAL INVESTMENT TRUST PLC

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Mid Wynd International Investment Trust PLC will be held at the offices of Arthur Young, City House, 16 Overgate, Dundee, on Thursday, 29th September 1988 at 11.00 a.m. for the following purposes:

To approve the Accounts of the Company for the year to 30th June 1988 with the reports of the directors and of the auditors thereon, and to declare a final dividend.
To re-elect directors.
To re-appoint Arthur Young as auditors.
To authorise the directors to fix the remuneration of the auditors.
By order of the Board.

BAILLIE GIFFORD & CO,
Managers and Secretaries
3 Glenfinlas Street,
Edinburgh EH3 6YY
2nd September 1988

Notes:
1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company.

2. Only holders of ordinary shares are entitled to attend or be represented at the meeting.

3. No director has a contract of service with the Company.

A copy of this Notice was enclosed with the Annual Report and Accounts of the Company for 1988 which was posted to shareholders on 2nd September 1988. In view of the postal strike we have placed this advertisement to draw shareholders' attention to the place, date and time of the Annual General Meeting. Copies of the Annual Report and Accounts may be obtained from the Company's registered office at 3 Glenfinlas Street, Edinburgh EH3 6YY.

BAILLIE GIFFORD & CO.,
12th September 1988

To be Holders of Warrants
to subscribe for shares of common stock of
NICHIMEN CORPORATION
(the "Company")

(Issued in conjunction with an issue by the Company of U.S.$50,000,000 2¾ per cent. Guaranteed Notes Due 1991)

NOTICE OF FREE DISTRIBUTION OF SHARES AND ADJUSTMENT OF SUBSCRIPTION PRICE

Pursuant to Clause 4 (A) and (B) of the Instrument dated 14th May, 1986 under which the above described Warrants were issued, notice is hereby given that on 13th September, 1988 the Board of Directors of the Company resolved a free distribution of shares of common stock of the Company at the rate of 0.05 share for each one share to its shareholders of record as of 30th September, 1988.

As a result of such distribution, the Subscription Price at which shares are issuable upon exercise of the Warrants will be adjusted in accordance with Clause 3 of the Instrument from Yen 338 to Yen 321.90 with effect from 1st October, 1988.

NICHIMEN CORPORATION
(By: The Sanwa Bank, Limited
as Principal Paying Agent)
Dated: 16th September, 1988

To the Holders of Warrants
to subscribe for shares of common stock of
NICHIMEN CORPORATION
(the "Company")

(Issued in conjunction with an issue by the Company of U.S.$160,000,000 4 per cent. Guaranteed Notes Due 1993)

NOTICE OF FREE DISTRIBUTION OF SHARES AND ADJUSTMENT OF SUBSCRIPTION PRICE

Pursuant to Clause 4 (A) and (B) of the Instrument dated 11th May, 1988 under which the above described Warrants were issued, notice is hereby given that on 13th September, 1988 the Board of Directors of the Company resolved a free distribution of shares of common stock of the Company at the rate of 0.05 share for each one share to its shareholders of record as of 30th September, 1988.

As a result of such distribution, the Subscription Price at which shares are issuable upon exercise of the Warrants will be adjusted in accordance with Clause 3 of the Instrument from Yen 506 to Yen 481.90 with effect from 1st October, 1988.

NICHIMEN CORPORATION
(By: The Sanwa Bank, Limited
as Principal Paying Agent)
Dated: 16th September, 1988

MANAGEMENT

Management training

Tarts and vicars at a trade fair

David Thomas visits a course at which sixth-formers meet young executives

The sight of an apparently respectable executive dressing up as a vicar in the loo brought it home that this was not just any old trade fair.

In the main hall outside, a dozen boiler concerns were pressing their wares on potential buyers. The vicar plunged into elaborate negotiations. "I'm part of a boiler-buying co-operative and I need to heat a very large church," he said implausibly.

At the next stall, a lady looking for all the world like a French tart was anticipating the transactions to be expected in 1992. "Combien de boilers avez-vous?" – "Nous avons soixante," came the halting reply.

Meanwhile, I was trying to explain that I wasn't fully briefed on the FT's need for boilers, but it might well be substantial.

Other than the motley nature of the buyers, two things stood out about this trade fair. First, the sellers were going about their business with a verve wondrous to behold. And second, a no doubt related point, there were only a handful of sellers aged over 18.

For, as the reader will have guessed, this was a management training exercise, not a real trade fair. But it was management training with a difference: the participants were sixth-formers.

They had gathered from all over the country at Sundridge Park Management Centre in Bromley, Kent, for an Insight into Management course organised by the Careers Research and Advisory Centre (CRAC), a Cambridge-based educational charity which aims to develop links between the world of education and employment. CRAC's insight courses, some for undergraduates, others for sixth-formers, have been honed over 10 years.

The Sundridge Park course consisted of three groups of people. There were about a dozen tutors, drawn from companies as diverse as Peat Marwick McLintock, IBM, Marks and Spencer and United Biscuits. There were another dozen young managers seconded from organisations like BP, Mecca, Pedigree Petfoods and the army. Then there were the sixth-formers, about 65 of them on this course, who paid £69 for the three-and-a-half day course, with their local education authority often picking up the tab.

Throughout the course, the tutors put on a stream of case studies for the sixth-formers, covering personnel, marketing, production, entrepreneurship and public administration. The students were given help with interviewing techniques and were free to talk to the young managers, who had typically spent a couple of years with their employers and were chosen to represent a variety of job functions.

Sundridge Park students play the business game

But the thread running through the three-and-a-half days was the business game – the Metal Box game, well known on the management training circuit.

The sixth-formers, split into about a dozen groups, formed themselves into boiler concerns and duly appointed a managing director and functional directors.

Each company, guided by one of the young managers, started with the same data and resources, including capital, and then made a string of decisions with the help of tools such as computers. Their financial impact on materials, work in progress, finished goods and so on, was duly recorded on a quarterly statement.

By the end of the 13th quarter, one of the boiler companies was £11,000 in the black, while another was £115,000 in the red. But Colin Taylor, the course director, reckoned the sixth-formers learnt as much from making mistakes as from choosing the right directions.

Taylor, a brand manager for Nestlé in the UK when he isn't pretending to be a vicar, is a veteran of the CRAC sixth-form course. He believes companies get a fine return from seconding their managers to it. "We think we gain as much as the students."

There is the chance to understand how young people on the verge of a career are thinking, not always easy for managers hidden away in large organisations. There is the battery-recharging impact of being with a gang of enthusiastic sixth-formers. And there is the character-building effect of leadership for middle-ranking or, in the case of the young managers, junior executives.

"I've never been in a situation where I was forced to guide a group rather than try to take control," explained Martin Davis, a young manager from Ford.

And the event is fun – never more so than at the trade fair, the culmination of the course, where the sixth-formers try to sell their boilers. Some of the tutors entered into the spirit by dressing as the purchaser they were supposed to be: hence the vicar and the tart.

Others were briefed to try to waste the sellers' time, rather than to buy boilers. "But the sixth-formers have been told to watch out for time-wasters, and they've been told to be especially careful of journalists," Taylor said reassuringly.

The sixth-formers had constructed elaborate stands, with neat handouts and carefully worked out special offers, although the company calling itself Arthur Daly boilers, after the TV conman character, probably should have hired a different image consultant. All of them, however, including the jokers from Arthur Daly, launched themselves on the buyers with a will.

The course helped some of the sixth-formers become more confident. "You learn to co-operate. When I first came I was quite apprehensive about putting ideas across. You learn to organise yourself better," explained Catherine Gundry from Bristol.

It was a chance for others to learn about management functions they had barely heard off. Liz Mannes, a technical manager with Cadbury Schweppes, said many of the sixth-formers were showing an interest in production management.

For others still, the course clarified what they wanted to avoid. Ian Dunn, the son of a senior Plessey executive and a sixth-former from Swindon, said he had decided he would like to work in a non-managerial area, such as design, for a few years before considering whether to go into management.

For nearly all of the course, it helped dispel the remote and grey image which working in business and industry often has for sixth-formers.

And lurking among the sixth-formers at Sundridge Park was at least one person with the potential to become a captain of British industry. Consider this extract from the shareholders' report of one of the boiler companies:

"The actual performance of the company is not yet up to the expected standard but I am sure that over the next 12 months it will improve. This is a harsh market at the present time as some of our competitors have found."

Most real-life chairmen would be proud of this judicious mixture of bombast, aggression and evasion.

Accountancy

Balancing national interests

Richard Waters reports on BDO's hopes for its restructuring

John Norton is an expert on the high wire. As managing partner of Binder Hamlyn, an accountancy firm just outside the profession's dominant Big Eight, he has years of experience of managing a delicate balancing act: holding together and leading a firm of accountants by mediating between the interests of rival groups of partners.

Norton, who has all the charm of an accomplished diplomat, is now about to test his considerable skills in the international arena. This change of role signals a rethink in the structure and operations of BDO, the international accountancy group of which Binder Hamlyn is the UK arm.

BDO was formed 25 years ago as a loose federation of national accountancy firms. Ten years later a restructuring brought its five founding member firms closer together, and saw the introduction of an international executive council.

Last week it took an important third step by moving beyond the club approach; a full-time international team has been created to drive the firm forward.

There is also a drive to raise the international profile of the group. Each national partnership has adopted the international name in combination with its own – BDO Binder Hamlyn in the UK, BDO Seidman in the US, and so on.

The name of the international firm, confusingly, has been changed to BDO Binder. This is partly a necessity; to sign audit reports on international work the firm needs to use a full name rather than an acronym (which is not accepted by regulators).

BDO Binder knows all about the need for a higher international image. Its loss of key UK audit clients Reuters and Redland two years ago betrayed both its lack of international coverage and the lack of weight behind its name. Both of these companies opted for Price Waterhouse.

Other large clients, including United Newspapers, Mountleigh and British Land, have stayed with the firm. But the move to raise its profile is an attempt to stem what Big Eight competitors see as an inevitable haemorrhaging of blue-chip clients from firms outside their elite club.

The image changes coincide with a structural reorganisation. All national member firms have become shareholders in an umbrella organisation, registered in the Netherlands. This private company will report annually to its members, who elect a policy board to run their international affairs.

Reporting to the policy board is a new chief operating officer, based in Brussels. This person has a budget of approaching $1m to help manage the international firm and the flow of work between countries.

The changes at BDO, though echoing moves at other firms, differ in one respect: BDO is out to make a virtue of its diverse national roots. In Norton's words, it is a multinational firm rather than an international one.

Part of the test of this is its rejection of profit sharing between national firms.

The advocates of profit sharing say that it brings a net-working closer step; partners in one area have an incentive to refer clients to another and the overall profitability of the firm benefits as a result.

Profit sharing has made steady headway in national firms, many of which were formed out of a collection of local partnerships. The extension of profit sharing to international groups is now seen by many as the issue of the next decade.

The creation of European regional profit pools is likely to be the first step, as firms contemplate binding their national operations more tightly together.

Norton is a firm opponent of profit sharing. BDO Binder Hamlyn avoided it while he was national managing partner in the UK, and BDO is likely to avoid it as long as he is chairman of its policy board.

His arguments run as follows. Knowing that they have a cushion of financial support makes partners less energetic. Companies operating internationally share profits among national business units to motivate local staff, so why should accountancy firms differ? (This argument ignores the fact that companies still ultimately pay dividends to their shareholders out of group profits.)

The thinking is extended to the management of national firms. The current orthodox theory in the accountancy profession is that executives should have more power to control the international destiny of their firms. Clients want a consistent international service, and so their accountants should run their businesses internationally. National control is giving way to international control.

Rubbish, says Norton. A firm's strength is its closeness to its local market. Why give this up in the interests of a single international culture – which all too often means Anglo-Americanism?

There is an element of opportunism in this. BDO has strong continental European firms in its network, principally in West Germany and France, and wants to make the most of its background while allowing each firm to feel it controls its own destiny.

Paradoxically, this may not be the best way of holding together an international firm. Last year Dijker en Doornbos, the Dutch member of BDO, defected to Price Waterhouse, which makes no pretence of its desire for central international control.

Norton has his work cut out if he is to hold the firm together and enhance its international standing while at the same time recognising the national aspirations of his fellow partners. His consolation is that every other international accountancy firm faces the same challenges, to a greater or lesser extent.

Management abstracts

Purchasing and profit: contributions worth measuring. *K. Beidelman in Journal of Purchasing and Materials Management (US), Autumn 87 (8 pages)*

Reports on how to have profit programmes and track cost savings in a purchasing department, not – it seems – in order to contribute to overall results, but to demonstrate to "upper management" that the purchasing department is a profit centre rather than a cost centre.

Try a little TCQC. *G.B. Pennix in Record Management Quarterly (US), Oct 87 (7 pages)*

Asserts that demanding perfection in records management is not asking too much; adapts Japanese quality control concepts and some from the zero-defects technique to create a new process for specifying what is required to meet customer expectations, diagnosing what is wrong (with the aid of process charts), and taking corrective action; draws on the successful experiences of Hewlett-Packard.

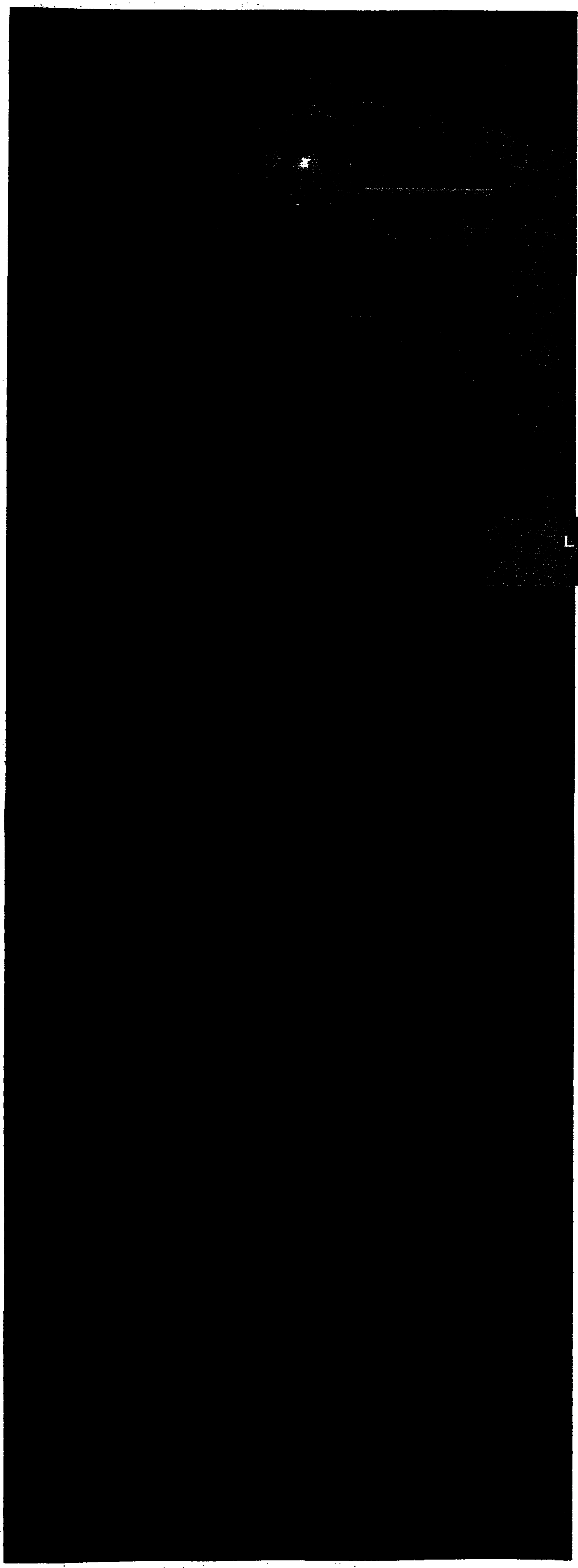
The survival of in-house training. *D. White in Training & Development (UK) Dec 87 (2 pages)*

Outlines a strengths, opportunities, threats analysis (SWOT) of in-house training; shows how an in-house department can make itself indispensable, through reviewing its mission, vision and strategic goals, and by concentrating on marketing and selling its resource, helping the organisation to identify the contribution of training and staff development, and becoming expert in specific development activities.

Intelligent buildings: Xerox – model for copying? *J. Greig in the Information Technology supplement to The Architects' Journal (UK) Apr 20 88 (4 pages)*

Profiles Rank Xerox's headquarters building at Marlow, "sympathetic to the surrounding countryside", with open and closed office space, and staff services, such as a gym. Concentrates on the three integrated systems: business; communications; building control. Questions whether it really is an integrated, intelligent building: "an interesting, if slightly safe, exploitation of . . technology".

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.



Apple and the art of communication.

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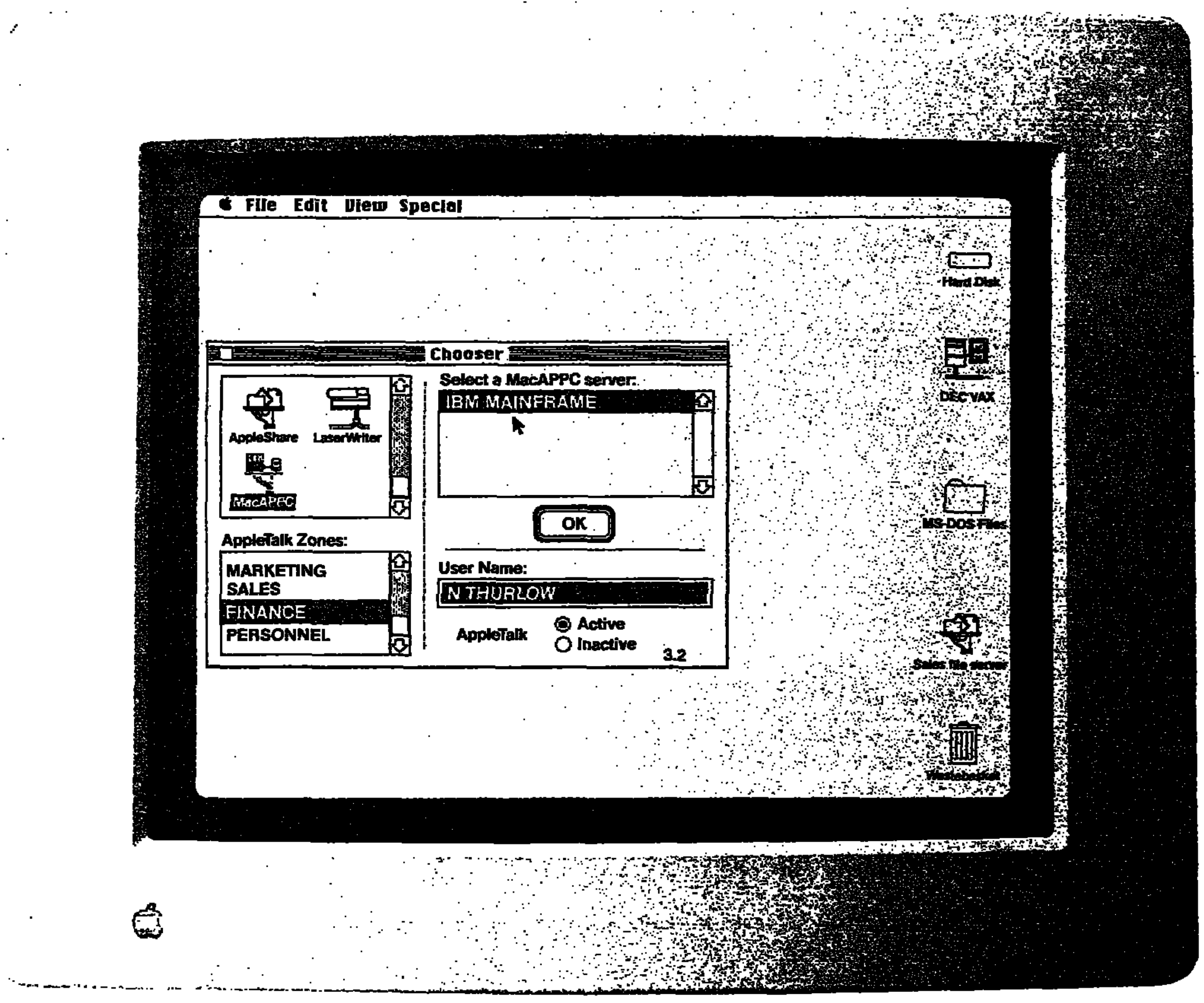


You simply point and click.

all understand. Instead of the mumbo-jumbo of conventional personal computers, it uses easily understood words and symbols such as files, folders and menus which, with the help of a mouse, speeds and simplifies operating. That's the bright side of the coin.

However, if you're running a management information system, utilising conventional mini or mainframe technology, you must be only too well aware of the communication problems.

The very information your people need to do their jobs is all too often held on someone else's computer system.

With a Macintosh, all is not lost. To open the dialogue with a mainframe, for instance, you simply point at a symbol on the screen, click and you've made your connection. While on the mini-computer front, we connect easily and successfully with leading names such as Digital.™ And you can just as easily communicate with MS-DOS® or Macintosh personal computers. In each case, effortlessly exchanging and upgrading the information.

Whatever the system, people spend their time *using* the facts and figures, not puzzling over how to find them.

As a consequence, productivity improves by leaps and bounds.

To be precise, an in-depth survey, carried out by the accountants KPMG Peat Marwick, showed a 24% improvement with Macintosh users against their previous performance with conventional computers.

To discover more about Apple Computer dial 100 and ask for Freefone Apple.

It all goes to prove what we've always suspected; to succeed in business it's important to have the right connections.

Apple.™ The power to succeed.

TECHNOLOGY

All lined up for the great data race

Della Bradshaw reports on the communications feat involved in broadcasting the Olympics

Over the next 16 days, television sports presenters around the world will impress viewers with the extent of their knowledge about athletes and events at the Seoul Olympic Games. But they will be relying on computer memory rather than their own.

As the Games go "live" in the early hours of tomorrow morning, race results will be distributed to scores of countries using a wide area network, appropriately called Wins. This is connected to the Games Information On-line Network System (Gions), a mainframe computer system which will process results from the 23 venues for 26 different sports.

Within the Olympics complex, the information processed on Gions will be available via more than 1,000 Wins terminals. The Seoul Olympic Organizing Committee (Slooc) is expecting about 6,000 newspaper journalists and 10,000 in broadcasting to come to South Korea for the Games. All will be hungry for information about winners and losers within seconds of their fortunes being decided.

Slooc is confident that the system will handle all the inquiries. Gions was used in a dress rehearsal for the Olympics during the Seoul Asian Games in 1986.

However, this time it will have a lot more data to process. More than 12,000 athletes from a record 161 countries will be competing. An estimated 3bn television viewers plus newspaper readers around the world will be waiting for that information.

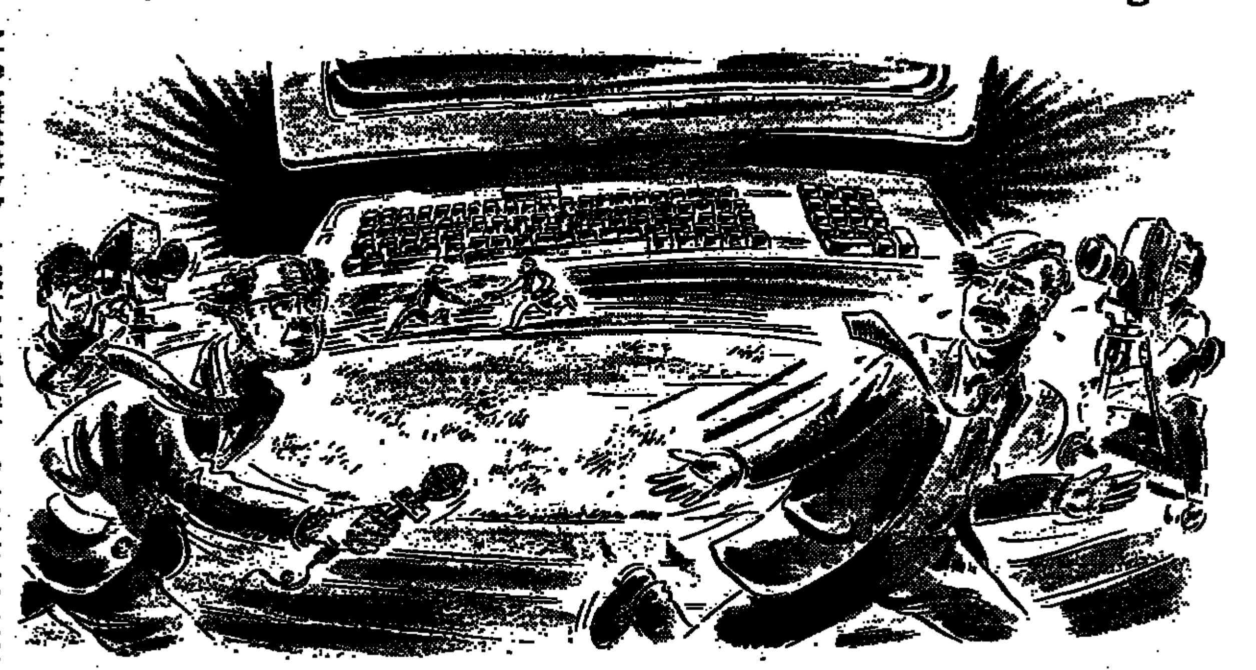
In the UK, the BBC has a dedicated telephone line installed between Television Centre in west London and the Wins network in Seoul. This means that the results will be displayed on a computer in London within seconds of being announced in Korea. If the dedicated line fails, the BBC will use British Telecom's public data network, the PSS (Packet SwitchStream).

ITV Sport, which is handling the broadcasts for both the ITV channels and Channel 4, has three IBM personal computers in London connected to the Dialcom UK electronic mail service. That in turn is connected to Wins in Korea through a public data network which uses the latest packet switching techniques. This means that the information is sent in packets, rather than in a continuous stream, which makes it much easier to deal with faults on the line or errors of data.

Authorised users in 52 countries can tap into Wins through their local public data networks in a similar way.

As well as processing live information, such as results, Gions has a stored database of information about all the athletes and events. Whether the broadcasters are in Korea or sitting in front of terminals in Paris, Tokyo or New York, they will be able to call up that information.

"If an unknown athlete wins an event, we can interrogate Wins in Korea and find out within seconds all about his background, previous best time and so on," says Mike Ward, senior producer for ITV Sport. Other information on the Gions database includes previous medal winners and information on world, Olympic and national records.



The distribution of data about competitors and events is crucial to the successful coverage of the Games. But even more important is the successful broadcasting of television pictures. Since the first inter-continental satellite broadcast of the Olympic Games from Tokyo in 1964, television pictures of the Games have taken on enormous commercial significance as well as entertainment value.

Of the \$403m (£237m) being paid for television rights to the Games, more than \$300m is coming from the American company NBC. The European Broadcasting Union (EBU), which represents broadcasters in 29 European counties, has paid \$28m.

But the expense does not stop there. NBC has spent a further \$100m setting up its broadcasting centre in Seoul, making arrangements for staff and installing equipment. The combined budget of £13m for the two British television companies looks comparatively modest.

A specially constituted division of the Korean Broadcasting Service (KBS), called the Seoul Olympic Television and Radio Organisation (Sorto), will be the main source of television pictures from the Games. However, broadcasting companies from other countries, such as NBC of the US and the BBC and ITV from the UK, have sent camera teams to cover events of special national interest. In the case of the UK, that centres on the equestrian and hockey events.

Sorto will have more than 225 television cameras at the 23 venues, each of which will be linked by an optical fibre cable to the international broadcasting centre. From there, pictures and sound will be beamed around the world on 25 satellite channels.

Three of those channels are being leased by the EBU and OIRT, the broadcasting organisation which represents Eastern bloc countries. These two are working together to send television signals to countries in Europe, the Middle East, north Africa and the Eastern bloc. Two Intelsat communications satellites over the Indian Ocean, at 63 and 66 degrees east, will be involved.

At three broadcasting centres in Europe – London, Paris and Raisting in West Germany – the broadcast signals will be converted from the 525-line NTSC standard used in Korea, the US and Japan to the 625-line PAL standard favoured in most of Europe.

The signals will then be broadcast throughout the recipient countries. France and any other country using the Secam broadcast standard will have to convert them again for their own use.

In addition to those three channels, the EBU and OIRT have leased two extra ones from Intelsat which can be booked by their member broadcasters for transmitting unilateral "feeds", such as interviews with individual athletes. The BBC and ITV Sport each have their own additional broadcast channels.

If all else fails, the EBU has a back-up route for getting television pictures back to Europe via north America. The signals would be sent to a satellite 180 degrees east over the Pacific Ocean and on to Lake Cowichan in Canada. They would then go to the EBU broadcasting centre in New York and on to Europe via another leased satellite transponder.

The Japanese broadcasting company NHK has joined with television manufacturers to promote high definition television through the Olympics. It will be displaying broadcasts of the Games on huge public screens in railway stations, department stores and hotels around Tokyo. America's NBC will try to attract more viewers and listeners by broadcasting the Games in stereo sound.

One development, favoured by both the BBC and ITV Sport, is the use of tape cassettes for recording the broadcasts from Korea, rather than the traditional reel-to-reel tape. The cassette system was used experimentally by the BBC during the Winter Olympics in Calgary, but will be particularly important for the round-the-clock coverage from Seoul.

The cassettes can be removed from the machines and replaced within seconds, in the same way as a domestic videotape. As they do not have to be rewound, like the older reel-to-reel tapes, they save time for programme editors.

One of the most difficult aspects of the Games for European broadcasters will be the time difference – West Germany, for example, is eight hours behind Korea. Live broadcasts will be shown through the night, with edited highlights during the day – a continuous 24-hour-a-day, 16-day marathon.

"We have to have systems that are very reliable, because we can't stop to fix things," says John Carter, senior technical co-ordinator for studio operations at the BBC. Like other broadcasters he admits the fortnight will be a real endurance test.

Higher, faster, stronger may be the motto of the Olympic athletes. At these Olympic Games, it could become an appropriate motto for the broadcasters as well.

THE Olympic Games results computer, known as Gions (Games Information On-Line Network System), has been developed by the Korea Advanced Institute of Science and Technology on an IBM 4381 mainframe computer.

A second IBM 4381, used to manage the issuing of tickets and the allocation of accommodation and transport, can also be used to back up the first mainframe. The ticketing and accommodation software has been developed by Ssangyong Computer and the Korea Information Computing Company.

At each of the 23 sports venues there are two IBM System 36 minicomputers, one to feed results to the central mainframe and the second to act as a back-up.

Information about competitors, processed by Gions, is sent to the Wide Information Network Services (Wins). Connected to this, in the Olympic complex alone, are more than 1,000 Mighty 16 IBM compatible terminals made by Goldstar, part of the Korean Lucky-Goldstar Group.

Wins has been developed by the Korean company Data Communications (Dacom) and is an Ethernet network using co-axial cable, operating at 10 megabits per second. There are also 500 printers attached to the network to print out results.

Information on Wins can be obtained in three languages: English, French and Korean. However, English is the only language available to broadcasting companies accessing the system from overseas.

WORTH WATCHING

Edited by Geoffrey Charlish

'Super slurper' based on starch

ABSORBENT Industries, on the west coast of the US, has developed a substance called CMT (co-monomer technology) which, as soon as it makes contact with water, is able to absorb hundreds of times its own weight. It has been nicknamed "super slurper".

The polymer is a starch derivative that is not soluble in water. It can be used as a soil additive, with the advantage that it will ensure that seeds and seedlings have an adequate supply of water without repeated additions. An important application could therefore arise in the transport of plants.

In addition, being starch-based rather than plastic (as in traditional absorbents), it can be used in animal feeds and bedding.

The company has developed CMT with the support of the US Department of Agriculture and holds world patent rights.

The first pilot factory, near Portland, Oregon, will start test runs in October. Full scale production is scheduled for March 1989.

Absorbent Industries is looking to form joint ventures in Europe and the first production plant in the Middle East is in the final planning stages.

Optical galleries for the police

DE LA RUE is hoping to interest the world's police forces in an image storage system that uses optical discs similar to the compact discs used for music.

Some 60,000 "mug shots" can be kept on a single disc and retrieving the image of any suspect's face takes only three seconds. Electronic digital storage means that images can be sent over communications links to other stations or forces.

De La Rue, which already has its finger-print image system in use in 11 countries, says that an individual's name, previous case number, the type of incident and its location can be stored with the picture.

Detectives will be able to draw up "picture galleries" in various ways (by type of incident, for example), or allow witnesses to see a line-up of suspects. Later, the company will offer simultaneous display of finger prints and photographs.

Other applications will probably be in prisons and for port of entry control, where a passport control officer will be able to see lists of wanted or suspect persons.

Detecting faults in phones

THE ADVANTAGE of "direct dialling in" (DDI) in a company telephone system (PABX) is that it brings an outside line to each user's desk without going through the company operator. In effect, each user has his own public telephone number.

The snag is that if there is a PABX software fault, the user knows nothing, except that his telephone seems unusually silent.

To help solve this problem, J&D Gomarsall, of the UK, is offering a product called DDI interceptor, which will detect such a fault and then connect the telephone direct to the local public exchange.

The company says it is the only product to meet the requirements of Oftel (Office of Telecommunications), which are due to come into force next April.

It's an ill wind . . .

ONE beneficiary of the postal strike was International Telecom, of the UK. It offers a fax broadcast service that will send a message to any number of destinations. It includes a store and forward facility, which means the messages are passed on at the most appropriate time to recipients in any country.

CONTACTS: Absorbent Industries: US, (503) 256 0544. De La Rue: UK, 0256 29122. J&D Gomarsall: UK, 0869 246733. International Telecom: London, 402 3481.

COMPANY NOTICES

MSA Draft - 05.09.1988

NOTICE OF ADJOURNED MEETING
of the holders of 8% Series III
Debentures to mature January 1, 1995 of
TURBO RESOURCES LIMITED

NOTICE is hereby given that the meeting of the holders of the 8% Series III Debentures to mature January 1, 1995 (hereinafter referred to as the "Debentures") of Turbo Resources Limited (hereinafter referred to as the "Company") issued under a trust indenture dated as of the first day of January, 1985 made between the Company and Montreal Trust Company of Canada, as trustee scheduled to be held in London, England on September 5, 1988 has been adjourned and will be held at Third Floor, Cottons Centre, Cottons Lane, in the City of London, England, on Monday, the 26th day of September, 1988, at the hour of 10:00 o'clock in the forenoon (Local Time), for the purpose of considering and, if thought fit, passing as an extraordinary resolution pursuant to the provisions of the Trust Indenture the resolutions described in the prior notice of meeting published on August 5, 1988.

The only persons who shall be recognized at the adjourned meeting or any further adjournment thereof as the holders of any Debentures or as entitled to vote or be present at the adjourned meeting or any further adjournment thereof shall be the persons who produce Debentures and/or voting certificates at the adjourned meeting or any further adjournment thereof or their duly appointed proxies. Instructions and forms for depositing Debentures, forms of voting certificates, and other information may be obtained on application to any of the depositaries at the addresses set forth below.

Those Debentureholders present in person or by proxy at the adjourned meeting shall form a quorum and may transact the business contemplated by this notice and the said prior notice.

For the convenience of Debentureholders unable to attend the adjourned meeting, proxies and voting certificates may be sent to Montreal Trust Company of Canada, c/o Orion Royal Bank Limited, Principal Paying Agent, 71 Queen Victoria Street, London, England EC4V 4DE, Attention Ms Giselle Warman, and, in order to be relied upon, must be received at such address on or prior to the business day immediately preceding the date of the adjourned meeting.

Dated the 16th day of September, 1988

MONTREAL TRUST COMPANY OF CANADA
Trustee
411 8th Avenue S.W.
Calgary, Alberta.

The depositaries contemplated by the above mentioned notice are as follows:

Montreal Trust Company of Canada
Attention: Corporate Trust Department

411 8th Avenue S.W.
Calgary, Alberta, T2P 1E7.

1 Place Ville Marie
Montreal, Quebec, H3B 3L6.

15 King Street West
Toronto, Ontario, M5H 1B4.

510 Burrard Street
Vancouver, British Columbia, V6C 3B8.

Orion Royal Bank Limited
71 Queen Victoria Street
London, England EC4V 4DE.

Credit Suisse
Paradeplatz 8
CH 8021, Zurich, Switzerland.

Banque Generale du Luxembourg S.A.
14 Rue Aldringen, Luxembourg.

Morgan Guaranty Trust Company of New York
Euro-clear Operations Centre
Rue de la Régence 4,
B-1000 Brussels, Belgium.

Cedel S.A.
67 Boulevard Grande-Duchesse Charlotte
P.O. Box 1006
L-1010 Luxembourg.

SPANISH 4% EXTERNAL LOAN (1974 ISSUE)

The coupons due 1st October 1988 may be presented for payment at Banco Exterior - U.K., 60 London Wall, London, EC2P 2JB, between the hours of 10 a.m. and 2 p.m.

London, 16th September 1988

To the Holders of Warrants
to subscribe for shares of common stock of
NICHIMEN CORPORATION
(the "Company")

(Issued in conjunction with an issue by the Company of U.S. \$100,000,000 3¼ per cent. Guaranteed Notes Due 1992)

NOTICE OF FREE DISTRIBUTION OF SHARES AND ADJUSTMENT OF SUBSCRIPTION PRICE

Pursuant to Clause 4 (A) and (B) of the Instrument dated 21st September, 1987 under which the above described Warrants were issued, notice is hereby given that on 13th September, 1988 the Board of Directors of the Company resolved a free distribution of shares of common stock of the Company at the rate of 0.05 share for each one share to its shareholders of record as of 30th September, 1988.

As a result of such distribution, the Subscription Price at which shares are issuable upon exercise of the Warrants will be adjusted in accordance with Clause 3 of the Instrument from Yen 451 to Yen 429.50 with effect from 1st October, 1988.

NICHIMEN CORPORATION
(By: The Sanwa Bank, Limited
as Principal Paying Agent)
Dated: 16th September, 1988

THE COPENHAGEN COUNTY AUTHORITY
20,000,000
European Units of Account
8 3/4 % 1979/1991 Bonds

Pursuant to the provisions of the Purchase Fund, notice is hereby given to Bondholders that no Bonds have been purchased during the twelve-month period from September 10, 1987 to September 9, 1988.

Amount outstanding: UA 18,075,000

September 16, 1988

THE COPENHAGEN COUNTY AUTHORITY

NOTICE OF BONDHOLDERS OPTIONAL REDEMPTION

Idaps Australia Finance NV (the "Issuer") constituting US\$2,790,000 9.75% Guaranteed Convertible Bonds Due 1995 of Idaps Australia Finance NV

and

US\$2,790,000 Conversion Bonds Due 1995 of PAXUS Corporation Limited (formerly Idaps Australia Limited) (the "Bonds")

In accordance with Condition 6(C) of the Bonds, notice is hereby given to the holders of the Bonds of their option to redeem such Bonds at their principal amount on 29 November 1988 (the "Redemption Date"). To exercise such option, the Bondholder must deposit such Bond (with all unmatured Coupons appertaining thereto) together with the form of election of early redemption enfaced on such Bond duly completed, with BT Australia (HK) Limited, the Paying and Conversion Agent of the Bonds, at the address set out below 15 October 1988 and 30 October 1988. Any Bond so deposited may not be withdrawn without the prior consent of the Issuer.

Bondholders' attention is drawn to Condition 7 of the Bonds relating to Payments.

BT Australia (HK) Limited, Level 30, Tower One, Admiralty Centre, 18 Harcourt Road, Hong Kong.

Bank of Tokyo (Curacao) Holding N.V.
(Incorporated with limited liability in the Netherlands Antilles)

FRF 400,000,000
Guaranteed Floating Rate Notes due 1992

For the Interest Period from 16 Sept, 1988 to 15 Dec, 1988 each Note will bear interest at a rate calculated pursuant to Condition V (c) of the Notes, equal to 8.03% per annum.
The coupon amount will be FRF 202.98 for each Note of FRF 10,000 nominal amount and FRF 2029.81 for each note of FRF 100,000 nominal amount.
The Interest Payment Date with respect to such Coupon Amount shall be 15 Dec, 1988

LISTED ON THE PARIS AND LUXEMBOURG STOCK EXCHANGES
By: BANQUE INDOSUEZ, Agent Bank

ARTS

Arts Week

F	S	Su	M	Tu	W	Th
9	10	11	12	13	14	15

OPERA AND BALLET

London

Royal Opera, Covent Garden. Elijah Moshinsky's 1987 production of Mozart's Seraglio returns to the Covent Garden repertory. Jane Glover makes her house debut as conductor, and the cast *includes Mariella Devia, Deon* van der Walt and Robert Lloyd. The savagely exotic and fascinating Andrei Serban production of Turandot has Gwyneth Jones in the title role and Edward Downes as conductor.
English National Opera, Coliseum. First new production of the ENO season is David Pountney's radical staging of La Traviata. Mark Elder conducts, and Helen Field, Arthur Davies and Alan Opie are the principals. Pountney's ugly, coarse-grained modern-dress Carmen sports at least a fine cast (including Jean Rigby, Jacque Trussel and Sergey Leiferkus) and conductor *(Yan Pascal Tortelier). The limply* staged wartime-in-Mussolini's-Italy Tosca production by Jonathan Miller has the vivid Janice Cairns in the title role, Edmund Barham, and Malcolm Donnelly (836 8161).
Sadler's Wells. The excellent Cumbre Flamenca troupe is well worth a visit: Carmen Cortes and la Chana are two marvels of gypsey temperament (until Sept 17). On September 20, Michael Clark, enfant terrible of post-modern dance, starts a season with his own peculiar tribute to William and Mary. Not for the squeamish (278 8916).

Paris

Opéra. Verdi's Rigoletto conducted by Alain Lombard/Alain Guingal returns to the Palais Garnier after 18 years' absence with Neil Shicoff/Taro Ichihara as the Duke of Mantua, Alain Fondary/Manuguerra as Rigoletto and Alida Ferrarini/Chris*tine Barbaux as Gilda (474 25750).*

Vienna

State Opera. In repertory: Pelleas et Melisande, conducted by Claudio Abbado, with Frederica von Stade, Christa Ludwig, Malcolm Walker. Tanz-Schule, Ballet (Première), by Mauricio Kagel, conducted by Arturo Tamayo, with Ballet d'Action. La Fanciulla del West conducted by Anton Guadagno, with Waltraud Winsauer, Silvano Carolli. Otello conducted by Adam Fischer, with Gabriela Benackova, Margarita Lilowa, Georg Tichy. L'Italiana in Algeri conducted by *Claudio Abbado, with Georg* Tichy, Agnes Baltsa, Patrizia Pace (51444, ext 2660).
Volksoper. In repertory: Die lustige Witwe, conducted by Konrad Leitner. Gasparone by Millocker, conducted by Rudolf Bibl. Der Freischütz, conducted by Dietfried Bernet. Tiefland by d'Albert, conducted by Konrad Leitner. *Ein Walzertraum by Oscar* Straus, conducted by Rudolf Bibl. Der Opernball by Richard Heuberger (51444).

Berlin

Deutsche Oper. Götz Friedrich's production of Falstaff has fine interpretations by Karan Arm*strong*, Carol Malone, Ingvar Wixell and Wolfgang Brendel. Elektra returns with Ruth Hesse, Ute Vinzing, Hans Beirer and Gerd Feldhoff. Katja Kabanowa has a strong cast led by Patricia Johnson, Karan Armstrong, Helga Wisniewska and David Griffith.

Hamburg

Staatsoper. Der Troubadour features Sharon Sweet, Ruza Baldani, Leo Nucci and Harald Stamm. The revived production of Eugen Onegin, sung in Russian, is the highlight of the week. The cast stars Bernd Weikl in the title role, Karita Mattila, *Daphne Evangelatos and Kurt* Moll. Der Barbier von Sevilla brings Cellilia Bartoll, Leo Nucci, Giorgio Tadeo and Jewgenif Nesterenko together.

Cologne

Opera. Gounods' Faust has its première this week, produced by Willy Decker with costumes by Martin Ruprecht. In the main parts are *Josef Protschka*, Ferrucio Furlanetto, Ludwig Baumann and Ashley Putnam. Das Gauklermarchen, composed by Gerhard Konzelmann received controversial reviews on its première last week. Die Itali*enerin in Algier is a competent* repertoire performance.

Bonn

Opera. Semiramide, the first première this season, produced by Pier Liugi Pizzi, has an interesting cast led by Cheryl Studer in the title role, Kathleen Kuhlamnn and *Jean-Philippe Lafont.* Graham Vick's successful production of Don Pasquale is revived with Rolando Panerai, Angela Maria Blasi and Bruno Pratico.

Frankfurt

Opera. Il Barbiere di Sivigiia stars *Alice Baker* and Alessandro Corbelli. Grace Bumbry is accompanied by Jonathan Morris in a lieder recital. Fidelio, with Michal Shamir, Reiner Goldberg and Douglas C. Johnson, rounds off this week.

Milan

Teatro Alla Scala. Homage to Strauss, the Munich Bayerische Staatsoper's production of three works by Richard Strauss, conducted by Wolfgang Sawallisch. Die Liebe Der Danae (Sat to Mon) with Julia Faulkner, James King, Klaus Konig and Thomas Woodman, directed by Giancarlo del Monaco. Also Daphne, directed by John Cox (Sun to Wed) with Kenneth Garrison, Keiko Kamegawa, Catherine Malfitano and Mandel Schenk; and (Thurs) Die schweigsame Frau, directed by Gunther Rennert and designed by Rudolf Heinrich, with a cast including Birgit Calm, Julie Kaufmann, Alfred Kuhn and Wolfgang Rauch (80.91.26).

New York

New York City Opera (State Theater, Lincoln Center). The week features the world première of Jay Reise's Rasputin, which was commissioned by the company, and is conducted by Christopher Keene and directed by Frank Corsaro, with John Cheek in the title role. The week also includes the season's new production of Rigoletto, conducted by Elio Boncompagni and devised and directed by Tito Capobianco, along with Lucia de Lammermoor, Rasputin, Die Zauberflöte and La Traviata. (496 0600).

Chicago

Lyric Opera (Civic Opera House). In its first production with the company, La Sonnambula opens the season with Miriam Gauci as Lisa and Frank Lopardo as Elvino in Sandro Sequi's production, conducted by Donato Renzetti (332 2244).

Tokyo

Teatro alla Scala, Milan. La Bohème, conducted by Carlos Kleiber, directed by Franco Zeffirelli, with Mirella Freni, Peter Dvorsky, Barbara Daniels, Jonathan Summers. Tokyo Bunka Kaikan (Tues, Thurs). Turandot, conducted by Lorin Maazel, directed by Franco Zeffirelli, with Ghena Dimitrova or Galia Savova in the title role, Nicola Martinucci or Giorgio Casellato Lamberti as Calaf and Daniela Dessi or Lucia Mazzaria as Liu. NHK Hall (Wed) (725 8888).

MUSIC

London

London Classical Players conducted by Roger Norrington, with Edith Wiens (soprano), Linda Hirst (mezzo-soprano), Patrick Power (tenor), David Wilson-Johnson (baritone) and the Schutz Choir. Beethoven's 9th Symphony. Royal Albert Hall (Fri) (589 8212).
BBC Symphony Orchestra conducted by Andrew Davis, with Joan Rodgers (soprano), Benjamin Luxon (baritone), BBC Singers, BBC Symphony Chorus. Last night of the Proms. Royal Albert Hall (Sat) (589 8212).
Beethoven Plus is a series of concerts between September 18 and December 10 which seek to set the composer's music in the context of his own time. The *work of over 30 of Beethoven's* contemporaries will also be featured. Royal Festival Hall, Queen Elizabeth Hall, Purcell Room. (928 3191).
London Philharmonic Orchestra conducted by Klaus Tennstedt, with Julia Varady (soprano), Waltraud Meier (mezzo-soprano), David Rendall (tenor), Hans Sotin (bass), London Philharmonic Choir. Beethoven's Missa Solemnis. Royal Festival Hall (Sun) (928 3191).
Academy of St Martin-in-the-Fields conducted by Neville Marriner, with Murray Perahia (piano). Cherubini, Beethoven. Royal Festival Hall (Mon) (928 *3191).*
Oscar Peterson. A solo concert by the jazz pianist. Royal Festival Hall (Tue) (928 3191).
City of London Sinfonia conducted by Richard Hickox, with Eiddwen Harrhy (soprano), Alfreda Hodgson (contralto), Philip Langridge (tenor), John Graham-Hall (tenor), Donald Maxwell (bass), London Symphony Chorus. Schubert, Mozart. Barbican Hall (Tue) (638 8891).
Academy of St Martin-in-the-Fields conducted by Sir Neville Marriner, with Murray Perahia (piano). Weber, Beethoven. Royal Festival Hall (Thur) (928 3191).

Picardy region

The first festival of cathedrals of European music takes place from September 16 to October 2. Britain is the guest of honour for 1988. London Mozart Players and London Choral Society, London Bach Orchestra and London Bach Chorus, Scottish Chamber Orchestra and Picardy's regional orchestra and choir will be performing in the Saint-Quentin basilica, in the cathedrals of Beauvais, Noyon, Senlis, Laon and Amiens and in other churches and chapels of the region.

Vincenza

Vincenza Festival. Madrigals of Love and War (Guerrieri et Amorosi) by Monteverdi performed by the Concerto Ensemble conducted by Roberto Gini. Teatro Olimpico (Mon) (54.61.11).

Vienna

Wiener Mozart Orchestra. Mozart. Sofiensaele (Fri, Wed). ORF (Austrian Radio and Television Orchestra), conducted by Sandor Vegh, with Erwin Sukar (horn). Mozart, Bartok. ORF (Fri) (50101 ext 881).
Operetta gala matinée, with Volksoper and Staatsoper singers and dancers. Ferstel (Sun) (513 80 02).
Vienna Philharmonic Orchestra conducted by Leonard Bernstein, with Wolfgang Schulz (flute). Beethoven, Bernstein, Brahms. Konzerthaus (Thurs) (72 12 12).

Berlin

Chamber Orchestra of Europe with violinist and conductor Gidon Kremer, Tatjana Grindenko, Oleg Kagan (violin), Tabea Zimmermann (viola), Heinrich Schiff (cello) and Juri Smirnow (piano). Schnittke and Haydn. Philharmonie (Sun).

Cologne

Staatsphilharmonie Rheinland Pfalz conducted by Leif Segerstam, with Anne-Sophie Mutter (violin). Strauss, Berg, Mahler. Philharmonie (Mon).
Orpheus Chamber Orchestra with Heinz Holliger (oboe). Mozart, Strauss, Elliott Carter, Ives, Tchaikovsky. Philharmonie (Thurs).

New York

New York Philharmonic conducted by Zubin Mehta. Webern, Schönberg, Schubert. Avery Fisher Hall, Lincoln Center (Mon).

Washington

National Symphony conducted by Mstislav Rostropovich. Bernstein, Haydn, Brahms. Kennedy Center Concert Hall (Mon). Mstislav Rostropovich conducting Mozart, Sallinen, Grieg. (Tue, Wed, Thur) (254 3776).

Tokyo

Tokyo Philharmonic Orchestra conducted by Herbert Kegel. Mahler. Suntory Hall (Mon) (371 5101).
Tokyo Metropolitan Symphony Orchestra, conducted by Yuzo Toyama, with Yoshio Unno (violin). Beethoven, Shostakovich. Tokyo Bunka Kaikan (Thurs) (822 0727).

EXHIBITIONS

Paris

Carte Musées et Monuments, sold in museums and Metro stations, enables visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles Palace.
Centre Georges Pompidou. The Fifties, taking over Beaubourg for three months from the ground floor upwards. The postwar creative dynamism of the Fifties is represented by cars, comics, music, cinema, literature, industrial creation and – on the fifth floor – by visual arts. The great figures of Matisse and Picasso open the exhibition with works in black and white; monochromes by Yves Klein and Montana close it. There are stat*ues by Giacometti, mobiles by* Calder, and lyrical abstraction by Hartung and De Kooning. While contrasting the School of Paris with the School of New York, the exhibition draws attention to some of their parallel developments. (42.77.12.33). Closed Tue. Ends Oct 17.
Institut du Monde Arabe. Holy Places in Saudi Arabia. Magnificent architectural models of the Kaaba in Mecca and its black brocade veil with verses from the Koran embroidered in gold, and of the Prophet's great mosque in Medina, provide non-Moslems with a realistic image of the shrines of Islamic pilgrim*age, to which they normally have* no access. Manuscripts, works by the traveller Richard Burton and 17th century Turkish ceramics complete the exhibition. 23 Quai Saint-Bernard (46.34.25.25). 1 pm till 8 pm, closed Mon. Ends Sept 18.
Musée d'Orsay. The spectacular museum of the 19th century is situated opposite the Tuileries Gardens within the metallic structure and the glass-roofed vault of the vast Belle Epoque railway station. It houses paintings, sculptures, objets d'art and photographs from the end of the romantic period to the beginnings of modern art and the Impressionists and post-Impressionists collections formerly in the Jeu de Paume. Here they are counterbalanced by academic painters, their contemporaries, long derided for their pomposity. The sculptures come into their own in the immensity of the nave, at the end of which is a *large-scale model of the Opéra* and its district below glass tiles. The view of Paris from the terraces is an additional delight. 1 Rue Bellechasse (45.49.48.14). Closed Monday.
Picasso Museum. The 17th century Hotel Sale, sumptuously restored, provides a fitting home *for the world's largest collection* of Picasso's work. It comprises 203 paintings, 158 sculptures and more than 3,000 drawings and engravings, 16 collages and 88 pieces of ceramics. It is completed by Picasso's own collection of paintings by his friends, such as Braque and Matisse, or by artists he admired, Renoir, Cézanne, Douanier and Rousseau. 5 Rue Thorgny (42.71.24.21). Closed Tuesdays.
Musée de Cluny. Medieval art in Paris. The abbots of Cluny built their magnificent late Gothic town house in the heart of the Latin Quarter on the blackened ruins of Roman baths. Now a museum, it houses medieval works of art – goldsmiths' work, carved altar pieces, ivories, fabrics, with foreign royal standards embroidered in gold on red velvet. In a rotunda of its own is a set of the Lady and the Unicorn mille fleurs tapestries – an allegory of the five senses, one of the masterpieces of medieval art. Place Paul-Painlève, Métro Odéon. Closed Tuesdays and lunchtimes (43.25.62.00).

Munich

Haus der Kunst, 60 Prinzregentstr. An important exhibition, centred on the city of Munich, which provides a broad view of the West German cultural scene. There are about 640 works – paintings, graphics and plastics – by 470 different artists, including over 100 women. Twenty-two works by the Austrian painter and sculptor, Alfred Hrdlicka, form the highlight of the show. The exhibition is organised by three group of artists. Ends Sept 11.

Schleswig

Schleswig Holstein Landesmuseum. 1,000 years of Russian Art. This exhibition celebrates the 1,000th anniversary of the Russian Orthodox Church, taking as its theme the new alliance between church and state. Following its Moscow première in June, opened by Raisa Gorbachev, it has now moved to Schleswig, celebrating the special relations between the German state and Russia. Duke Karl P. Ulrich of Holstein-Gottorf was a grandson of Peter the Great and in 1762 became Tsar Peter III. After his death in the same year, his wife Catherine the Great took over. The 463 selected pieces are on loan from 14 different Soviet museums, with the highlight provided by 130 icons from the 13th to the 20th century. Modern painters include Kadinsky, Natalja Gontscharowa and Kasimir Malewitsch. The other major part of the exhibition consists of 170 pieces of gold jewellery. The simple art of 18th century wood reliefs provides an interesting contrasts to the illuminated 18th century books with religious legends, musical notation and illustrations of the Apocalypse. Ends Oct 24.

Vienna

Museum of Modern Art/Museum of the 20th century. Works by Oswald Oberhuber, one of Austria's finest artists. Ends October 26.
The Austrian National Library. The Arab world in Europe. A marvellous collection of letters and other literary items. Ends October 16.
Hermes Villa. Portraits by the fin-de-siècle artists, Gustav Klimt and Emilie Floege. Ends Feb 19.
Secession, Klimt's Beethoven Frieze is now back in its rightful and original place in the restored Secession. The Secession was founded by a group of artists, Klimt included, at the turn of the century. At the time, it provided a haven and experimental ground for artists who were tired of the old established and conservative Kunstlerhaus or arts Academy.
Visitors to Vienna must see the work put into the restoration. Besides the excellent lighting and colour scheme, the furniture, all Austrian designed, is a real eye-opener on the wealth of creativity which is taking place among the small crafts industries which have sprung up in recent years.

Venice

Palazzo Grassi. The Phoenicians. The fourth major exhibition at Fiat's imposing art centre on the Grand Canal attempts to give a complete picture of this extraordinary people, who dominated trade in the Mediterranean for over 1,000 years before their capital, Carthage, was finally destroyed by the Romans in 146 BC. The exhibition has been given a highly theatrical presentation by the architect Gae Aulenti. Sarcophagi project at odd angles from a pile of pink sand on the ground floor of the Palazzo; in an upstairs room, model ships stand immobile in a rippling artificial lake, and a huge polystyrene wave engulfs a Phoenician wreck. Many of the 1,200 objects displayed (gold and silver jewellery, statues and reliefs in terracotta, bronze and ivory) are extraordinarily beautiful and the 750 page catalogue, published by Bompiani, is excellent. Until Nov 6.

Rome

Palazzo Venezia. Imago Mariae. Over 100 works, including masterpieces by Gentile da Fabriano, Pinturicchio, Correggio, Giaquinto and Tiepolo, showing the progressive humanisation of the Virgin Mary from the austere figure of the Middle Ages to the gentle and accessible charm of the Renaissance and Baroque portrayals. Ends Oct 4.
Galleria Nazionale d'Arte Moderna. Gastone Novelli and Achille Perilli. A three-part exhibition devoted not only to the two Italian painters, but also to the architect Luigi Cosenza, responsible for the gallery's new extension. Both Novelli (who died in 1968) and Perilli became known in the 50's, joining the group of Roman abstract artists, Forma 1, and editing together an art magazine, The Modern Experience. Until Sept 25.

Bologna

Pinacoteca Nazionale and Museo Archeologico. Guido Reni (1575-1642). A splendid collection of paintings by the Bolognese mannerist painter, the first to bring the concept of physical beauty into sacred art. His depictions of the Virgin Mary have looks and temperament which recall Thomas Hardy's tragic heroines. The paintings come from major Italian and foreign museums. Many have been restored for the occasion (such as the remarkable Massacre of the Innocents), and some have not been on public display for many years. The Triumph of Job (also newly restored) had been hidden in the right-hand bell-tower of Notre-Dame in Paris since 1797. Until Dec 8.

Martigny

The Gianadda Foundation is showing the second part of treasures on loan from the Sao Paulo Museum. Entitled From Manet to Picasso, it is especially rich in Renoirs, from society portraits and little girls in frothy lace and pink and blue satin, to a fleshy nude. Van Gogh, too, is well represented with his famous Arlesienne and landscapes with tormented trees. There is Cézanne's portrait of his wife, a Tahiti scene by Gauguin, early Picasso and Manet's Marie Lefebvre riding side saddle all clad in black and looking as seductive as Bonnard's appealing nude or Degas' ballet dancers. (23978). Ends Nov 6.

New York

Metropolitan Museum of Art. An exhibition of architecture on paper covers four centuries of drawings including works by Frank Lloyd Wright, Louis Comfort Tiffany and Arata Isozaki, as well as the west facade of the Alhambra that dates back to 1520. Ends Jan 8.
Museum of Modern Art. Almost 100 black-and-white prints illustrate Matisse's influence during a 50-year printmaking career that included lithography, drypoint, etching and linoleum cut. Ends Nov 6.

Chicago

Art Institute. More than 50 Dutch and Flemish 17th century masterpieces from the Hermitage in Leningrad, including works by Rembrandt, Rubens, van Dyck and Frans Hals, kick off a collaborative effort by US and Soviet museums Ends Sept 18.
Art Institute. The first major retrospective in 30 years of Paul Gauguin includes more than 250 objects and major paintings from all the periods of his exotic and far-flung life. Ends Dec 11.

Tokyo

Tokyo National Museum. The Splendour of Turkish Civilisation: Ottoman Treasures from the Topkapi Palace. The former Seraglio of the Sultans in Istanbul boasts a magnificent location, overlooking the Bosporus, and houses a superb collection of classical antiquities, manuscripts, armour, textiles and other artefacts. This selection of 150 items focuses on the heyday of the Ottoman Empire, from the 16th to 19th centuries. Highlights include a steel helmet incrusted with priceless rubies, turquoises and amethysts, and a wooden throne inlaid with ebony, mother of pearl and silver. Closed Mondays.
Hara Museum of Contemporary Art, Shinagawa. Oil paintings by Tomie Ohtake, who emigrated to Brazil in 1936 and is now regarded as one of Latin America's liveliest abstract artists. This is her first solo exhibition in her native country and has been organised to commemorate the 80th anniversary of the arrival of the first Japanese immigrants in Brazil. Closed Mondays.
National Museum of Western Art, Japonisme. A major exhibition, seen earlier this year at the Grand Palais in Paris, which explores the influence of Japan on the art of the West in the late 19th century. The exhibits range from the straightforward representation of Japanese objects, or an added exotic touch in a conventional portrait – such as Monet's depiction of his wife in a red kimono – to copies of Japanese pictures and scenes from Japanese life. Closed Mondays.
Ueda Gallery, Ginza. New works by Shoichi Ida. Ida is regarded as one of Japan's leading contemporary artists and has exhibited widely at home and abroad. He is best known for his work in paper. This exhibition gathers recent works, many from a series entitled the Garden Project and Lotus Sutra, where stones, twigs and other natural materials evoke images of Japanese gardens. Closed Sundays. Ends October 15.

Continued on Page 19

Alastair Muir

Maureen Lipman

Re: Joyce!

FORTUNE

Joyce Grenfell died in 1979, but has never really gone away. In a new entertainment written by herself and James Roose-Evans, Maureen Lipman recreates Grenfell through her material while creatively extending her own comic range.

This mostly involves making Joyce Grenfell Jewish, not an obvious concept. In a starched taffeta turquoise gown and bolero, Lipman reminds us that Joyce was born with certain advantages, but not necessarily a silver spoon in her mouth. And if there was a spoon, there was no chicken soup on it.

The transition process from Lipman to Grenfell then invokes a curious hint of Dr Evadne Hinge (the one who sits at the piano), but once arrived, the new Grenfell launches gloriously into the schoolgirl reunion where everyone cheerily remembers her as Lumpy Latimer. The show sketches in the biographical information of camping out in a cottage on Auntie Nancy Astor's Cliveden estate (some hardship), the first approach by Herbert Farjeon at a Stephen Potter party ("I can't go into a revue, I'm married"), the simple bliss of that marriage to Reggie who managed his family's mining wealth, the war effort, chipping in with ENSA ("Every Night Something Awful"), helping out Myra Hess at the National Gallery concerts, the ocular cancer ("Cancer was not a word Joyce would have used" and I'm not at all sure about that, even though she was a Christian Scientist).

Mr Roose-Evans has just published a collection of intermittently amusing letters Joyce wrote to her "Darling Ma," a divorcée in North Carolina. The most blazingly pertinent of them concern her stage debut in a 1939 revue with Hermione Baddeley and Cyril Ritchard. Lipman irradiates that "circus horse instinct" while Denis King at the piano interrupts his marvellous accompaniment (Joyce and her composer, Richard Addinsell, are hereby reinstated as good English songwriters) to recite a good review by James Agate of the Sunday Times.

Confusingly, this notice appeared to be printed on pink paper. But so, later on, did one by Felix Barker (one always warms to shows when colleagues are mentioned) in the Evening News. Barker doubted the success of Grenfell's 1954 one-woman show, but not all that much. The point is that just as Grenfell did triumph over the longer distance, so does Lipman.

The material is pointed and barbed and slightly tinged with a knowing, village-hall quality. Grenfell worked for the Women's Institute and could send them up rotten. But affection and grace are at the heart of all her observations, and Lipman latches on to this with a vengeance. She proves the tenacity of the material by investing much of it with foreign Yorkshire accents and annexing the terrible worrier who threw an unwanted rabbit through a car window to her sibilant school of Jewish neurotics.

Grenfell was a private person and Lipman enters the final phase by expressing the religious conviction that in casting off skins one finds the creature God made. It is an extraordinary epilogue coming from one who invented other people and, most crucially, other audiences, all her life. Lipman, directed by Alan Strachan on a simple, mock classical set by Pierre Rice, conveys several layers of arch ambiguity. It is a brilliant study in *strained but superior* Englishness.

Michael Coveney

CINEMA

Driven abroad by panic and passion

It is not often Roman Polanski inspires stray reminders of Cary Grant, but so unabashedly is his new release *Frantic* inspired by the collected works of Alfred Hitchcock that one cannot help wondering from time to time how Grant or James Stewart might have handled the central role of Dr Richard Walker.

Walker, played by Harrison Ford, is an American surgeon in Paris with his wife Sondra (Betty Buckley) to attend a conference and enjoy a second honeymoon away from their children. But a switched suitcase precipitates a mistaken identity, Sondra's kidnapping and the clashing of rival groups all in pursuit of a mysterious purloined object.

Harrison Ford's frustrated husband, equally unable to deal with the language or indifferent officialdom, is left to follow a trail of clues that leads him to Michelle (Emmanuelle Seigner), the casual author of the crucial mix up. It is at this point that it becomes clear that, in spite of its superficial resemblance, this film has a life of its own that owes far more to the collaboration of Polanski and co-writer Gerard Brach than any salute to Hitchcock. Though Hitchcock's characters are full of ambivalence, none would have achieved the barely acknowledged sexual tension that exists between the bereft Walker and the self-absorbed girl almost young enough to be his daughter. His wife is managing, capable, her insistence on dealing with everything has contributed to his helplessness – will he succumb to the stunning Michelle or be faithful to his maternal mate?

Harrison Ford in "Frantic"

Ford is a man driven as much by panic as passion to a Paris alternately sterile and sleazy as he ventures out from the anonymous comfort of his hotel into the restless nightlife of a younger unknown world. There is a wonderful scene in a nightclub where, entirely at cross purposes, he eagerly discusses with a Rastafarian his search for the white lady leaves him the baffled possessor of an envelope of cocaine.

Unfortunately such humorous moments are rare, and it is interesting to discover that there was a third writer on *Frantic* – Robert Towne, who *scripted* Polanski's splendid 1974 thriller *Chinatown* – whose contribution has been largely edited out. One cannot help speculating that his non-European input might have provided the touch of humour and warmth that would have transformed *Frantic* from a beautifully and economically constructed piece of cinema into a thoroughly satisfying movie.

*

It is a pity that Dr Walker's wife could not have escorted Buster Edwards and his wife June (Phil Collins and Julie Walters) on their flight to Acapulco. She would have got them organised in no time into the modest life they really wanted, away from the beach life, cocktails and spicy food. She may even have found the fish and chips June craved, but that would have been harder back in 1963.

FRANTIC (15)
Warner West End

BUSTER (15)
Odeon Leicester Sq

Buster, we are told, is not so much an account of the great train robbery as the love story behind it which was to lure Edwards from the safety of South America back to certain arrest in Britain. In fact it seems to be far more about the couple's inability to adapt to or enjoy their illicit wealth.

Conveniently forgetting the engine-driver who never recovered from injuries received from the robbery, the hold-up is presented as a caper that went wrong. While the crime itself was almost faultlessly executed, the same attention to detail had not been applied in covering the gangs tracks and most of them were swiftly arrested.

It might have been better for the Edwards family if Buster had been one of them, because their ever-changing hideouts, culminating in exile in Acapulco, are just a series of prisons maintained with his dwindling cache of money. Buster and June's discomfort among the palm trees of Guacamole emphasise how far the British have come in the last couple of decades when it comes to coping with Abroad, but in this arid period just before the Sixties got into gear, June's home sickness is almost forgivable.

The determined cheerfulness of *Buster* makes it an uneasy film to watch – the robbery itself seems to have been almost a waste of effort with much of the money lost in laundering it out of the country, and it is hard to feel much concern for the fate of the robbers. With only clumsy references to the Beatles and the Profumo affair to provide any sense of time or place, it does not even make it in the nostalgic stakes.

Practically the film's only redeeming feature is the performance of Phil Collins as Buster Edwards. Obviously his apprenticeship as a child-actor before he became a musician is not wasted. But even his sure grasp of Buster's aspirations and emotions works against the film as a whole. His freshness and conviction seriously undermine the performances of Julie Walters and Sheila Hancock as his wife and mother-in-law, a pair determined to transform his quest for the good life into the days of whine and roses.

Ann Totterdell

La traviata

COLISEUM

The English National Opera has a new production of Verdi's opera: it is not quite clear why, though the Woolwich has supplied generous funding. A jaundiced guess would be that *La traviata* has simply been swept up in a project of remaking the basic repertoire in House Style. For once, this latest Pountney-Lazaridis collaboration neither reveals a subtext nor presents a challenging gloss; what we get is a good sing-through, decently acted out on conventional lines, amid lashings of house-style imagery – variously bizarre, obvious or just distracting, but always obtrusively self-conscious.

The trouble is that all the resonances David Pountney detects in the opera (sedulously detailed in his programme-note) are familiar to any normally sensitive audience, without the least need for visual nudges. A great strength of Verdi's realisation of the Dumas *fils* tale is his unstinting sympathy with all the individual characters, leaving us to draw our own morals – as naturally we do! – about bourgeois hypocrisy or the anomalous status of courtesans in 19th-century Paris. Pountney merely underlines those: with "style," of course, but in broad strokes which often as not blur the human detail. The detail should improve as the cast play themselves in; the broad strokes may have to be put up with, like graffiti.

It is no bad idea (nor is it new) to insist that Violetta is an exploitee in a disreputable trade, not just a reckless party-girl. Verdi's audiences knew that very well, but modern morals and many modern stagings – especially those for respectable prima donnas – obscure the point. Pountney makes Violetta's opening party a meat-market for rich, grim-faced men (who wear their top hats throughout dinner), held in a translucent-red chamber with brothel-mirrors and panels that rise to display lower-budget female wares.

So far, so obvious; but when the curtain rises on the country hideaway of Act 2 we are *still there* – with a deck chair and a carpet of poppies (*not* camellias) on the head table, and heavy gentlemen planted surrealistically in the middle distance: Social Pressures, one guesses. The touching sense of lovers-playing-house (in a house bought by her last patron) is quite lost, though Pountney remarks it in the programme, and people keep tripping over the poppies. Flora's party is a replay of Act 1; for Violetta's terminal B-and-B the walls contract and the brothel-mirrors curdle, and her demise is the signal for a strobe-lit, pathos-killing scurry off, so as to make her an abandoned bit of jetsam.

Trapped in this setting, at once loaded and generalised, a sound cast made creditable headway on Wednesday. Helen Field's frail, pretty Violetta was a distressingly plausible consumptive, with an effusive, appealing upper register (dry-voiced lower down) and a keen musical lilt that was only externally connected with – never coloured by – her actual words. Pountney's words, as it happens: singable, as well as sensitive to ideological implications, but often too heedless of the original Italian phonetics to reproduce Verdi's musical diction. The Englishing of Alfredo's "Bollente spiriti" gave Arthur Davies evident trouble; elsewhere he rose to some moments in his best form, sometimes sounded tired and short of vocal metal.

As Germont *père*, Alan Opie contributed a looming silhouette and a bluff, vaguely benevolent persona, reflected in the bland delivery of his arias. His confrontation with Violetta struck no interpersonal sparks, for Pountney set them apart early – Miss Field into intense private fervour, Opie left to windmill-gesturing at nobody in particular. We got vociferously sincere stereotypes at precisely the point where the opera can reveal – and has done, in this very theatre – vulnerable, complicated grown-ups in collision.

There was a theatrically bright co-demimondaine Flora from Eirian James, and an oddly supercilious Annina – Violetta's maid – from Shelagh Squires, no doubt dictated by Pountney's notion of what a Gold Card whore's secretary should be like. Mark Elder conducted the big ensembles to solid effect (the stark staging favours stand-and-deliver treatment), and shaped a poignant Act 3 prelude. I thought some of his tempi for the principal arias, and the heartbreaking duet "Parigi, o cara," a fatal notch too quick to leave breathing room for the expressive subtleties required – and surely expected by Verdi – to let them expand beyond the scale of catchy ditties. For newcomers the pace may seem bracing; aficionados will find the human depths underexplored, however vivid the stage-pictures.

David Murray

Alastair Muir

Helen Field and Arthur Davies

Boulez conducts the BBC Symphony

ALBERT HALL, RADIO 3

The highlight of Wednesday's Prom was originally planned to be Schoenberg's *Erwartung*, with Jessye Norman as the protagonist. Two weeks ago, however the programme was changed – Miss Norman had been unable to give the monodrama the preparation it demanded and sang Berg's *Seven Early Songs* instead, while Pierre Boulez additionally conducted the BBC Symphony Orchestra in Webern's Op.1 Passacaglia.

Those of us who cling fondly to the belief that London's orchestral life has never been as absorbing as in the years when Boulez was the BBCSO's principal conductor will have found this concert an exquisite exercise in nostalgia. Mahler (the Adagio from the Tenth Symphony) and Bartok (the complete score of *The Miraculous Mandarin*) completed the concert, and if Boulez's approach is generally broader now – 20 years ago he would never have countenanced such liberal use of rubato at the opening of the Webern, with its consequent blurring of the distinction between quavers and triplets – and the BBC Symphony is presently not quite the attentive ensemble it once was, the crystalline delineation of motive and texture is as penetrating as ever.

So too is the perfect sense of conveying precisely what such music is about, and how its contradictory elements are not to be related back to a vague 19th-century vision or even forward to a hard-edged modernism, but presented as they are, on the cusp of a new order and syntax. Around Miss Norman's comfortably sensuous accounts of the Berg songs Boulez constructed accompaniments with enough fibre to counteract any residual late-romantic sweetness, and went on to unleash an account of *The Miraculous Mandarin* of surprising ferocity and nervous energy. The woodwind playing of the BBCSO was first rate here, the pounding weight of the brass climaxes fully registered. The most frankly expressionist of all Bartok's scores has long been one of Boulez's most admired interpretations and it has lost none of its savage precision.

Andrew Clements

Raúl Giménez

WIGMORE HALL

The Rossini revival is becoming self-generating. As more companies want to perform the operas, there is a need for more tenors who can sing sing them; and as more tenors come forward, so the possibility arises for more performances. It would almost be feasible now for a singer to *make a career on nothing else*, and to a large extent that is what the young Argentinian tenor Raúl Giménez has done.

Since he came to Europe the Rossini operas have acted as his passport to the leading opera houses. Voice is the essential thing in this repertoire and the Rossini arias in Giménez's Wigmore Hall recital on Wednesday showed that he has the most of the special accomplishments of the style: it is an agile voice, with the tone bright and forwardly-placed and the words clear, though some open vowels catch an unpleasantly nasal strain.

If the arias had also been light and witty, or shaped with the poise that the tenors of Rossini's day brought to them according to the descriptions that we can read, then we might hail the ultimate Rossini tenor. But as yet that insight is not in place and the performances win respect rather than affection. Admittedly, the lackadaisical accompaniments of Nina Walker, seemingly unconcerned as to whether she hit the right notes or not, did not help.

After the interval, however, came a different kind of music *and, it seemed, a different* singer. A group of traditional Argentinian songs in delightful arrangements, mostly by Guastavino and Ginastera, freed the imagination that had evidently been locked away while the singer had the technical demands of the Rossini to deal with, and we were treated to some beautiful singing that was full of affection and moments of delicacy.

There is a real artistry in Giménez, as his Tosti encore showed to the full. He may lose his scores of these pieces and wave cheerfully to the audience that he cannot go on without, but it is obvious that he enjoys the music as soon as he starts to sing. If only the operatic arias had been that good, too. Then we could look forward to still more Rossini in more opera-houses.

Richard Fairman

Continued from Page 18

THEATRE

London

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing (379 6107).
South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair (839 5989).
The Phantom of the Opera (Her Majesty's). Spectacular, emotionally nourishing new musical by Andrew Lloyd Webber (839 2244, credit cards 379 6131/240 7200).
Follies (Shaftesbury). Eartha Kitt and Millicent Martin now decorate Mike Ockrent's strong revival of Sondheim's 1971 musical, in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre (379 5399).
Hapgood (Aldwych). New Tom Stoppard mixes espionage, romance and higher physics. Felicity Kendal is the eponymous intelligence agent. Roger Rees and Nigel Hawthorne in elegant support (836 6404, credit cards 379 6233).

Amsterdam

Importance of Being Earnest (Stadsschouwburg). The Berlin Play Actors with Oscar Wilde's play, directed by Rik Maverik (Fri to Sun) (24 23 22).

New York

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot (586 6510).
M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).
Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters (947 0033).
Speed-the-Plow (Royale). David Mamet applies his biting sarcasm and ear for the exaggerations of American language to Hollywood, in this screamingly funny and well-plotted exposé of the film industry (239 6200).
Stranger Here Myself (Public). Angelina Roux performs two decades of Kurt Weill's songs in a one-woman show covering the composer's careers in Berlin, Paris and New York (598-7100).

Washington

Les Misérables (Kennedy Center Opera House). The touring company of the international hit of last season brings to Washington the historical sweep of Victor Hugo, set to music and an insistent contemporary beat. Ends Oct 15 (254 3770).

Tokyo

Kabuki (Kabuki-za). The morning programme, at 11am, includes Kago Tsurube, with Living National Treasure, Utaemon, in one of his most famous roles as a sophisticated courtesan who gulls a country bumpkin. In the afternoon, at 4.30pm, the progamme includes Ii Tairo, a "new kabuki play" set in the 19th century at the time of Japan's opening to the West, as well as one of the most famous works in the kabuki repertoire, Kanjincho (The Subscription List), in which a wily servant outwits his master's pursuers. Ends September 25 (541 3131).

Noh (National Noh Theatre)A double bill consisting of the sacred ritual Okina (old man), on which all noh is said to be based, and a true noh play, Tenko. Japan's most esoteric art form is not to everyone's taste, but should be experienced at least once by everyone who wants to discover why Japan will never become a 'Western' nation. (Most other Noh theatres are open only at weekends; check local press for details). (423 1331).

Bunraku (National Theatre). The bunraku puppet theatre is one of Japan's most refined art forms. Each doll has three operators who remain in sight of the audience throughout the performance, while a narrator at the side of the stage unfolds the story to musical accompaniment. This month's performance features Hiragana Seisuiki, a play written in the Jidaimono (classical) style in 1739. The two surviving acts have no connection with each other and are performed at 12 noon and 5.30pm. Earphone commentary in English. Ends September 25 (265 7411).

Impressionist build up

Christie's major London winter sale of Impressionist and modern pictures on November 28 is building up to being one of its best ever. In addition to the important early Picasso of his rose period "Acrobat et jeune Arlequin," which should top £10m, an important Monet "water lily" canvas and a Gauguin view painted near Arles in the autumn of 1888 when he was visiting Van Gogh, have been included in the sale.

The Monet "Japanese bridge" was completed in 1900, making it one of the earliest on this theme: it is estimated at over £3m. The Gauguin, of the Romanesque chapel of St Honorat, is modestly estimated at over £1m. It was painted from the same length of canvas on which Van Gogh painted the "Sunflowers" that Christie's sold for £24.75m in 1987.

Antony Thorncroft

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Europe's quest for quality

AT A grand signing ceremony in Brussels yesterday, the chairmen and presidents of 14 large European multinationals embarked on an ambitious common crusade: to help improve the international competitiveness of other companies across Europe, in services as well as manufacturing, by stimulating a dramatic improvement in their quality management.

The organisation formed to run the campaign, the European Foundation for Quality Management, plans to develop a wide range of awareness and management education activities in collaboration with established business schools and other organisations. During the next year it hopes to recruit as "key members" a much larger body of companies, including the offshoots of selected non-European multinationals such as Ford, Xerox and IBM.

The foundation is being financed entirely by the private sector, unlike past national quality awareness campaigns in Britain and elsewhere. It is the brainchild of Philips, the Dutch electronics group, and an impressive list of co-sponsors has been assembled whose companies' products and services generally meet most people's definition of quality. They include Bosch and Volkswagen from West Germany, Bull and Dassault-Breguet from France, Ciba-Geigy, Nestlé and Sulzer from Switzerland, Electrolux from Sweden, Olivetti from Italy and KLM from the Netherlands.

Quality improvements

Surprisingly, the list also comprises three companies which, at least until recently, have been best known for their quality problems: British Telecom, Fiat and Renault. The short explanation for their inclusion is that they have all been making improvements in the quality of at least some of their products and services, and that this recovery is continuing.

The reasons for the trio's membership also run deeper, and go to the heart of the foundation's professed purpose. As its founding letter of intent emphasises, the quality of a company's goods and services can only be improved and sustained if it operates a quality management system which permeates every level and part of the organisation. Traditional "quality assurance" programmes among designers, engineers and production staff, and "customer care" campaigns among front line service personnel, have tended to be inadequate and shortlived when they are not reinforced, throughout the company, by extensive training and motivation programmes which breed a culture of attention to the customer and continuous improvement in all aspects of the business.

Active leadership

Such a "total quality management" system, as it has been dubbed by leading corporate exponents, many of whom are Japanese, not only requires a whole panoply of company-wide procedures and systems, but also the commitment and active leadership of top management. To the foundation's fathers, it was British Telecom's development of such an approach which qualified it for membership at this stage, even though its customers, employees and shareholders have yet to feel the full benefit.

The presence of only one British company in the list is partly explained by the reluctance of several leading practitioners of quality management to encourage others to copy what they see as one of their specific competitive advantages. Another factor was that the founder-membership fee was initially set much higher than the eventual $50,000 a year. About 20 UK companies have already expressed interest *in the next phase of membership*, which will be cheaper.

One of the foundation's first tasks will be to convince its potential audience that "total quality management" is more than just an alternative formulation of the vague concept of "excellence", and that its members really do have something concrete to teach their peers. Otherwise it is likely to prove a worthy but misguided effort.

Guidelines on teachers' pay

THE BRITISH Government is in danger of giving the wrong signals on teachers' pay just as worries are mounting about shortages of teachers in key subjects and locations.

Unless enough high quality graduates can be tempted into the profession, there is little chance of achieving the across-the-board improvement in educational standards which is the central aim of the new national curriculum.

The immediate worry centres on the 5.1 per cent limit for next year's pay settlement for the 400,000 teachers in England and Wales, disclosed this week in the Government's remit to its pay advisory committee.

A figure of about 5 per cent may not be wide of the mark as a general pay rise after the hefty increases flowing to teachers during the past two years. But the Government also wants to treat a string of special problems within this overall limit, including the need to attract teachers into certain subjects like maths and science, and raising the pay of heads and deputies.

It is difficult to see how the pay advisory committee will be able to reconcile the 5.1 per cent limit with both a reasonable pay increase for all teachers and the additional measures to deal with the problems identified by the Government.

Pay machinery

The medium term concern is what form of pay machinery will govern teachers' pay in the 1990s, replacing the present temporary arrangement by which the Education Secretary imposes a settlement after listening to his advisory committee. Ministers are due to talk to the teaching unions about this next week, but they have already made their views clear.

The Government wants to have a majority over the local authorities on the management side of a new negotiating group. The negotiating group would discuss the distribution of each year's pay rise, the size of which would be determined in advance by the Government. Recourse to arbitration would be rare and only with the agreement of both sides.

Given that each 1 per cent on the teachers' pay bill adds £75m to public spending, the Government's reluctance to let go of the reins is understandable. But it would be helpful to have some idea of how ministers propose to resolve the shortage of teachers if they are to dominate the new pay machinery to quite such an extent.

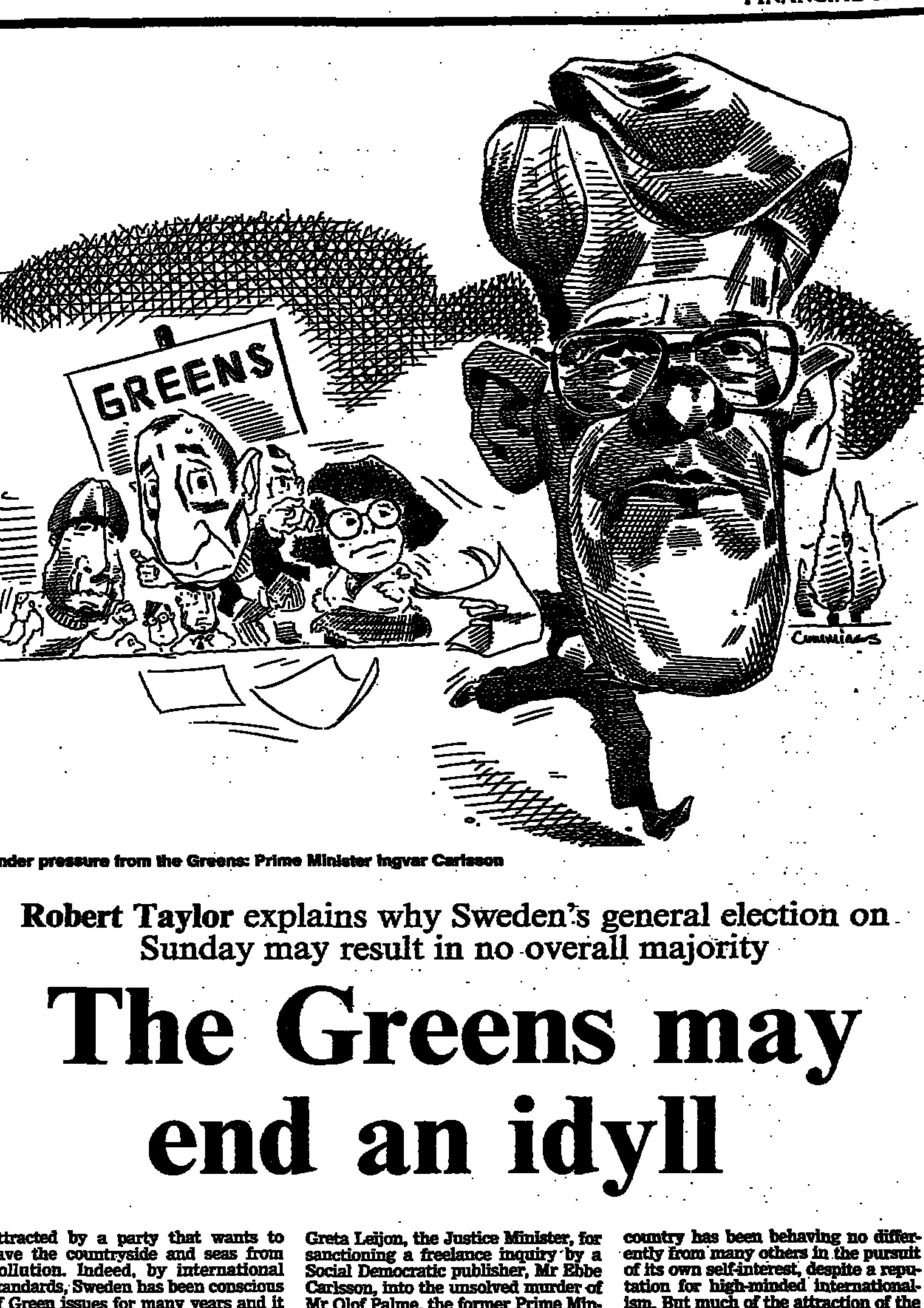
The answer favoured by the main teachers' unions can be dismissed. Boosting the pay of all teachers would be a bluntly extravagant solution to a quite specific problem. Starting salaries are not far out of line: £8,859 is a reasonable entry point for a new honours graduate.

The problem is rather with teachers' career prospects. The most a classroom teacher can earn at present is £18,264. So, by their late 30s, classroom teachers can, at most, increase their pay by just over 100 per cent compared with their starting point. The Government's own pay advisory committee pointed out last year that, on average, honours graduates elsewhere boost their pay by 150 per cent over the same period.

Faced with such discrepancies, it is hardly surprising that few high calibre students want to teach. Even fewer are likely to head for the classroom when competition for new graduates intensifies in the early 1990s. The trick will be for the Government to tackle that problem while keeping the lid on the overall teachers' pay bill.

One possible answer would be to decentralise more control over pay to school level. The Government is committed to delegating financial power to governing bodies and school heads. Yet it is uncertain about whether to allow schools more than extremely limited discretion over teachers' pay, which accounts for two thirds of school costs.

Schools are best placed to decide whether they really have to pay more to attract a good science teacher. The Government could sweeten such a system by making slightly more central funds available for the overall pay bill in the 1990s. But first it would need to have the unions' assurance that they had dropped their hankering for a pay system which rewards mediocre teachers on a par with effective ones.



Under pressure from the Greens: Prime Minister Ingvar Carlsson

Robert Taylor explains why Sweden's general election on Sunday may result in no overall majority

The Greens may end an idyll

Sweden is one of the most politically stable democracies in the world, which has enabled it to build up a prosperous economy and generous welfare state over the past 40 years. But the idyll could be coming to an end and at 8pm on Sunday, when polling closes in the general election, the country is likely to be plunged into protracted uncertainty.

All the public opinion surveys suggest that the Swedish Green Party will not only secure more than the 4 per cent of the national vote it needs under the proportional representation system to win seats in parliament for the first time, but will also hold the balance of power because no political group will secure an overall majority.

Such a prospect is beginning to alarm the established party leaders because the Greens have made it very clear that they do not intend to join in the consensual politics that has provided Sweden with a strong central government, dominated by the Social Democrats for 50 out of the last 56 years. As an inexperienced and unpredictable group, the Greens will make it very difficult for any government that emerges to pursue effective and coherent policies, particularly in the management of the economy.

In recent years the Social Democrats have usually relied on the support of the small reformist Communist Party to give them a majority in parliament, but recent opinion polls have cast doubt on whether the Communists will clear the 4 per cent hurdle this time. This could force the Social Democrats to bargain with the Greens over the Government's legislative programme.

In the opinion of Mr Kjell-Olof Feldt, Sweden's Finance Minister, if the Greens' economic policies were put into practice, the country would return to what it was like a century ago when it was one of the poorest in Europe. He suggested that the nostalgic yearning among the Greens for a bygone age was dangerous for Sweden's continuing affluence, because it would lead to a huge budget deficit and a protectionist trade policy that would destroy the country's overseas markets. He also believes that the Greens' commitment to the closure of all Sweden's nuclear power stations within three years would precipitate the collapse of many industries, though his own party's decision to start phasing out nuclear power in the mid-1990s is itself causing alarm in the business community.

Certainly the Greens' manifesto is imbued with a curiously Swedish combination of mellow nationalism and naivety. The party is hostile to the European Community. It wants to ban the export of Swedish armaments to anybody. The Greens favour measures to curb the use of cars and they are against the building of any more motorways. They oppose the construction of the road bridge to link Sweden with Denmark. They want to impose heavier taxes on energy, industrial emissions, alcohol and tobacco. Above all, they hanker for self-sufficiency and simpler, more austere life-styles.

Mr Feldt's reaction to the threat of the Greens is understandable enough, particularly as he may need to take strong and unpopular measures during the three-year life of the next parliament to deal with economic difficulties, which the new party would be unlikely to support. But in a lacklustre and rather parochial campaign none of the party leaders has really been prepared to confront the Greens seriously, often appearing to ignore their existence. As a result, many voters may be unaware of what they are letting themselves in for.

There is an almost dreamlike quality about Sweden at the moment, made more poignant as one of the longest hot summers many Swedes can remember draws to a close. More than half the adult population owns summer cottages; more than a quarter owns a boat. It is not surprising, therefore, that Sweden should be attracted by a party that wants to save the countryside and seas from pollution. Indeed, by international standards, Sweden has been conscious of Green issues for many years and it *adopted stiff regulations to protect* the environment long before most of its industrial competitors. (In the past the rural-based Centre Party was regarded as the repository of Green values and in its present campaign posters it is claiming to be both "green and sensible".)

The Greens, who were founded in 1981 and won only 1.5 per cent of the vote at the 1985 general election, have certainly been helped over the past three years by the Chernobyl nuclear disaster and the effect of acid rain. This summer the death of seals in northern *Europe focused Swedish* minds on the environmental threat.

But many of those who intend to vote for the Greens on Sunday are not doing so just because they want to make Sweden a cleaner country. They also see the Greens as an effective way of registering a protest against what they see as the corruption of big block politics and above all against the alleged abuses of state power by the Social Democratic establishment. The "affairs of the summer" – which led to the resignation of Mrs Anna-Greta Leijon, the Justice Minister, for sanctioning a freelance inquiry by a Social Democratic publisher, Mr Ebbe Carlsson, into the unsolved murder of Mr Olof Palme, the former Prime Minister – *do not appear to have inflicted* fatal electoral damage on the Social Democrats. But they have undermined the confidence of voters in the rule of law and the ethical standards of public life.

PARTY VOTING
September 1985

Party	Percentage of vote	Seats
Social Democrats	44.7	159
Communists	5.4	19
Moderates	21.3	76
Centre	12.4	44
Liberals	14.2	51
Greens	1.5	0

Many commentators wrote in 1986 that the Swedes had lost their innocence as a result of Palme's assassination. The revelations of illegal arms deals by the Bofors company over the past couple of years have upset many Swedes who dislike the idea that their country has been behaving no differently from many others in the pursuit of its own self-interest, despite a reputation for high-minded internationalism. But much of the attraction of the *Greens comes from their comparative* political innocence. This is perhaps why many Swedes across the right-left spectrum and widely differing income groups will be voting for them on Sunday.

The emergence of the Greens as a force in national politics also suggests that many Swedes want to look inwards and not concern themselves with the outside world, though this perhaps reflects a national mood of material contentment rather than any metaphysical *angst*.

Indeed, the achievements of the Swedish *economy during the 1980s* has made many Swedes take their success for granted. In every general election since the 1960s, the issue of full employment was the highest priority of concern to the voters. Now it has fallen to seventh place, to be replaced by the environment.

"The economy is not a campaign issue," declares Mr Feldt and he recites some impressive statistics to explain why. Unemployment is running at less than 2 per cent and there are serious labour shortages. When the Social Democrats returned to power in September 1982, after six years of right-wing rule, the budget deficit amounted to nearly 13 per cent of the country's gross domestic product, but now it is down to a mere 1 per cent. The annual level of industrial investment has gone up by 69 per cent over the past six years, and though inflation is higher than the OECD average, it is half what it was in 1982.

It is true that there are some signs of overheating in the economy, with a real danger of wage inflation in the next round of pay negotiations, which could threaten Sweden's competitiveness. But Mr Feldt denies there will be a need for any post-election panic measures to cool down economic activity. His version of market socialism, with its commitment to wide-ranging tax reform, deregulation and greater personal incentives, suggests that the Swedish model is going to follow the recent example of Australia and New Zealand as long as this does not provoke any increase in unemployment.

However, there are disagreements about that inside the Social Democrats. On several occasions Mr Feldt has been forced to appease union pressures against his economic judgment. The party's campaign propaganda still uses the traditional language of solidarity and social justice, which seems alien to Mr Feldt's entrepreneurial outlook.

Many on the centre-right believe that Swedish Social Democracy is suffering from ideological exhaustion. Many Swedes on the left complain that the party under its current leader, Mr Ingvar Carlsson, lacks the clarity of vision and sharp edge it enjoyed under Palme. But nobody who watches the Social Democrats in action in an election campaign can doubt their organisational ability and determination to get the vote out.

The parties of the centre-right, or what the Swedes call the bourgeois block of the Moderate (conservative), Centre and Liberal parties, have failed to seize the initiative or live down memories of their inability to work in harmony together when they were in office between 1976 and 1982. Last week they were arguing publicly about their different tax cutting proposals and they lack any common ground on divisive issues such as defence spending and nuclear energy.

Moreover, they do not seem to have been able to exploit the summer scandals. As a result there has been hardly any movement among voters from the left block to the centre-right. Indeed, many former centre-right voters appear to be going over to the Greens.

It is very difficult for the non-Socialist camp in Sweden to win an outright electoral victory. With as many as 55 per cent of the voters now dependent on the public sector for their livelihood (as pensioners or public service employees), a radical right or Thatcherite agenda of rolling back the frontiers of the welfare state would be electoral suicide. For all the grumbles about the highest marginal tax rates in the world, there is no sign of an organised tax protest as in Norway and Denmark.

What strikes an outsider about the present election, however, is its insularity. Earlier this year a great debate began in Sweden on what its future relations should be with the EC in the context of 1992 and the single European market. But there has been almost total silence on the issue by the opposition.

Perhaps the voters are in no mood to listen. The Swedish dream evoked by the Greens is more seductive than pragmatic calculations of the profit and loss account with the EC. In the past, many Swedes have managed to combine their ideals with their self-interest. Now it may prove more difficult. By electing enough Greens to deprive any government of a stable majority, the voters may make it very hard for the politicians to govern at all.

OBSERVER

Big time in New York

■ Harold Evans, the man who departed the editorship of The Times under some storm clouds, is returning briefly to Britain to put the final touches to a two hour television documentary he has helped to make on the American elections. "It *is very critical*," he says. "*The* theme is television is the election; the election is television."

Even if Evans does not seem to like the American media's coverage of politics, however, he is not coming back to Britain for long. He is too happy in New York. He now edits the Condé Nast Traveller magazine, which has been going for a year. Always an ambitious man, he says that it is the only travel magazine that tells the truth about travel. "It is a literary magazine with a travel background." Like many American publications, it relies heavily on English writers. Circulation of the monthly is up to 850,000. "We have 76 pages of ads this month at about $30,000 a page." But, in answer to a question, he admits that it is not yet making money.

Evans's wife, Tina, is editor-in-chief of Vanity Fair. "It's become the hottest magazine in town," Evans claims. "It used to be the coldest." He is also writing a book about American political history going back to Theodore Roosevelt.

Howe plods on

■ Sir Geoffrey Howe continues to enjoy himself in Africa. The British Foreign Secretary yesterday reached Zanzibar where he visited the island's extensive archives.

There are letters from Speke, Stanley and Livingstone. "The *stench at night* is so gross one might cut out a slice and manure a garden with it," wrote the doctor from the island he nicknamed Stinkibar.

Howe was most struck, however, by a message from London to Britain's first political agent in Zanzibar. It is dated July 26, 1848 and reads: "I am directed by Viscount Palmerston to call your attention to the second paragraph of the memorandum forming enclosure 25C of the General Instructions by which you are informed that despatches addressed to this department must be numbered consecutively. You have done wrong therefore in numbering despatches to other departments in the series of numbers which should relate solely to your despatches to the Foreign Office."

As one of the Foreign Secretary's aides commented: "The bureaucracy hasn't changed."

Bring it back

■ A suggestion: the British Parliament should sit for about 10 days every September. The news is quite different when MPs are not around to ask Ministers questions and oblige them to make statements. What has been happening on the Government's Irish policy is only one example. If MPs felt overworked, they could make up for it by longer recesses at Christmas and Easter.

Jimmy who?

■ A lady meteorologist tells us that the decision to call alternate hurricanes by boys' names was more a result of chivalry than direct pressure from female experts in the subject. When Jimmy Carter became President of the US, the National Oceanic and Atmospheric Administration was heavily male-dominated. Carter instructed that opportunities for women should be increased, as he did for a number of other federal agencies. Richard Frank, the then head of the agency, was very receptive, took on women staff and introduced the system of alternating between male and female hurricanes.

The first male hurricane was called Bud, after his deputy Bud Walsh. There was never a hurricane Richard because there are seldom more than 15 hurricanes a year, and at the end of the year you start again with "a". There remains, we are told, some pressure to call more hurricanes by Hispanic names.

County climax

■ In county terms, it has not been such a bad cricket season after all. At the start of the season, you could get generous odds against Kent being in contention for the championship. Even now, full of end-of-season wisdom, it is find hard to believe that Kent are fighting it out with Worcestershire in a last match struggle.

Traditionally, bowling and fielding are the skills that count in the end. And Kent have fielded like champions this year, inspired by Chris Cowdrey's example and their first year of coaching by that superb fielder, Alan Ealham. Yet their batting and bowling have been hit and miss. The batting, in particular, was over-dependent on the South African, Roy Pienaar.

Worcestershire are a pretty standard county fielding side, except for wicket-keeper Rhodes, but they are blessed with a batting phenomenon in Graeme Hick, and have some formidable bowlers in Dilley, Radford, Newport and Illingworth. Illingworth's left-arm spin has been crucial.

The pre-season favourites were Essex, Lancashire and last year's champions, Nottinghamshire, but Worcestershire, whom we tipped to win every other trophy, were always in the reckoning. Of the favourites, only Essex fulfilled the hopes put in them. Gooch, Border and the admirable young Waugh provided strong enough batting to forget last year's eclipse and keep up the county's excellent record of recent years, finishing a good third.

At the other end of the table, poor old Glamorgan have the final fixture and the chance to give the championship to Worcestershire, just as they gave it to Nottinghamshire last year. Kent are playing Surrey. Clearly, fortune favours Worcestershire. We do not expect to be writing about cricket this winter.

French push

■ New bumper stickers have started to appear on Eurocrats' cars in Brussels obviously looking forward to 1992. They bear the Community's official 12-starred emblem and read: "Je construis l'Europe, je roule européen" (I am building Europe, I drive a European car). Nearly all the cars are French.

POLITICS TODAY: Joe Rogaly

As the conservative tide ebbs

The cult of the individual, which is at high tide in much of the Western world, will recede.

The question is not whether, but when. In its place, I suspect, will be a return to the values of *community*. This is quite different from the notion of the collectivist state, which has been discredited.

These assertions require support. There is plenty to hand. In the United States Reaganite individualism has had a strong decade, but there is much evidence to suggest that what passes over there for its converse – a willingness to accept intervention from Washington – will predominate in the 1990s. This is certainly the view of the distinguished American historian, Arthur M. Schlesinger, Jr. He spells it out in The Cycles of American History, published in Britain by Andre Deutsch.

Professor Schlesinger has reviewed a number of theories of cyclical alternation between the pursuit of public purpose and the culture of private interest. They are explained by the natural discontent of the human being, whose wishes cannot be fully satisfied. "People can never be fulfilled for long either in the public or in the private sphere," he writes. "We try one, then the other, and frustration compels a change in course . . . it always becomes after a while, 'time for a change'." Emerson, Henry Adams, the modern economist Albert O. Hirschman, and various others have propounded versions of this phenomenon. Most of them can be sustained by some sort of fit with the actual course of US political history. The best fit of all is to be found in the exposition given by Professor Schlesinger's father, himself a distinguished historian.

Mrs Thatcher's emphasis on the individual eschews community, even when backed by Scripture

In 1924 Schlesinger *père* predicted that Coolidge conservatism would last until about 1932; it was indeed superseded at that time by the New Deal. In 1939 he forecast that in about 1947 there would be a retreat from what Americans call liberalism and Europeans social democracy. Right on cue what Truman called the "do-nothing, good-for-nothing" 80th Congress arrived. In 1949 the elder Schlesinger wrote that there would be a return to liberalism around 1962 – which, as it turned out, was two years into the Kennedy presidency. On the basis of that same 1949 prediction, the next conservative epoch would begin in about 1978. President Reagan was elected in 1980.

Writing in 1985, the younger Schlesinger takes the cycle forward to "shortly before or after the year 1990" when once again private interest will retreat before public purpose. This will mark the start of the ascendancy of the generation that came of political age in the Kennedy years. In fact the current conservative cycle has already nearly run its course. Liberalism began its come-back with the Democratic victories in the congressional mid-term elections of 1986. Mr George Bush, the Republican candidate, is plainly aware of this. He has part-embraced the causes of education, child care and the environment.

The difficulty for the genuinely liberal Democratic candidate, Mr Michael Dukakis, is that the US polity is on the cusp. The label "liberal" is still a vote-repeller. Professor Schlesinger still maintains that the liberal phase will not be in full flow until the 1990s. "This election is rather as if Kennedy had run against Nixon in 1956 rather than in 1960," he says. "It will be a squeaker (I think)." That view was expressed in a letter written in mid-July, when the polls were still indicating an easy Dukakis victory.

If the cyclical theories are right it hardly matters who wins. A number of major social democratic bills were promoted by and passed during President Nixon's first term, while the Kennedy-Johnson liberal stream was still in full flow. The Democrats' President Carter, on the other hand, was as much caught by the incoming conservative tide of the late 1970s as was the British Labour Prime Minister James Callaghan – and both at about the same time. This is an important coincidence. European and British political cycles probably differ from those that govern the US, but during the 1980s the conservative phase has been synchronised right across the Atlantic.

Many British opposition politicians are now telling themselves that, if only Mr Dukakis were to win, people would cease to believe in the inevitability of a series of further Conservative general election victories. The great Reagan-Thatcher bubble would have burst. Now that Mr Bush is doing better in the opinion polls than he was at the beginning of the summer this upsurge of hope has receded. It should not have done so. Mr Bush is not conservative to the core, and his campaign indicates that he is no less likely to be the prisoner of a liberal cycle, at least on domestic policy, than Mr Nixon turned out to be. If the bubble does not burst under Mr Dukakis, it may well sag slowly under Mr Bush.

This thought should give courage to European politicians on the centre-left. Some, like the West German social democrat Mr Oskar Lafontaine, and the French socialist Mr Jacques Delors (now President of the European Commission) are seeking new answers. Others show various signs of depression. In Britain, where the annual party conference season is about to begin, it is a case of near-terminal despair. What can they offer? The case made by F.A. Hayek in The Road to Serfdom seems to many voters to have been proved: political freedom and economic freedom are indivisible. Control over the economic activities of individuals leads inexorably to control over all aspects of their lives. Planning – socialism – leads to dictatorship. All this was certainly true in the extreme instances of Hitler's Germany and Stalin's Russia, both in the forefront of Hayek's mind at the time he wrote his famous polemic. Whether it would be true under a British Labour government is uninteresting: no cycle is likely to favour pre-1980 style socialism again in this century.

There are, however, more than two options. The British centre parties should place strong emphasis on the value of citizenship, which is something beyond the concept of the individual as a mere consumer or voter. All opposition parties have an open field in seeking a late-20th century definition of community. The notion of belonging to a community, and on occasion subserving one's own interests to that of its general membership, is as old as the extended family, the tribe, and, indeed, the nation.

The British Prime Minister has been widely quoted as expressing a disbelief in "society" as a concept, but she does of course understand that when young British soldiers give their lives in Northern Ireland they are doing so to defend the greater community to which they belong. Mrs Thatcher's emphasis on the responsibilities of individuals eschews community, even when her interpretation is backed by an idiosyncratic invocation of Scripture. This remains true when the newly-rich are urged to give of their money, and their time, to the less fortunate. For community, like nation and society, is an abstract concept, with a meaning beyond the simple act of salving one's conscience by giving charitable donations.

Politicians wishing to understand abstract concepts should go to the Germans, starting, perhaps, with Ferdinand Tönnies' *Gemeinschaft und Gesellschaft*, Community and Society, published in 1887. Like so much in sociology, this description of types of social cohesion has been much misunderstood and misused. Fundamentally, *Gemeinschaft* suggests ties of blood or the heart: the family, the sub-tribe, the monastery. *Gesellschaft* suggests organisation for a purpose: a business, a civil service, perhaps a political party or even a trade union. You need to reflect for no more than a minute or two to see that there is a little of both qualities in most human groupings. There is blood-brotherhood in the most businesslike army, common purpose in every monastery or clan.

To the bottom-line economic minds of Thatcherite ideologues such speculative stuff is the next worst and most inexplicable thing after pornography. There is reason in this: the free-marketeers are the product of a modern rise of individualism that has followed the recession of religious belief and accompanied the growth of capitalism and technology. Sociologists, and most of all German sociologists, seem to speak of a forgotten past. What is more, they muddy the waters most dreadfully.

Yet market-dominated individualism is something so new in human history that we cannot be certain that it provides all the answers. It does not seem to in Britain, when the least competent of the underclass are urged to stand on their own two feet (not much *Gemeinschaft* there), or when every action, in housing, use of the countryside, jamming of the roads, or even the growth of robbing and mugging, seems to be in tune with the worship of individualism as an exclusive way of life. The grotesquely-named Community Charge has the very businesslike effect of transferring some of the cost of administering to the needs of local communities from the backs of the rich to the shoulders of the poor.

Market-dominated individualism is so new we cannot be certain it provides all the answers

Do not get me wrong: individual freedom is the human race's most precious recent achievement. The market economy is an essential part of that freedom. What needs to be worked out now is how to reconcile it with the concept of fellow-feeling, of community, which may be the most precious human inheritance. This will be done by someone. The political cycle will ensure it.

LOMBARD

Odd man out in space

By Peter Marsh

THE KENNEDY Space Centre in Florida, in the US, is a good place from which to mull over the usefulness of extravaganzas in the cosmos – and on the role of the state in these activities.

The centre, the main launch site for the US space shuttle fleet, is at the focus of a civilian space programme which, since the Challenger tragedy of January 1986, has been desperately hard hit. In the public eye, however, it is still highly popular.

American taxpayers provide about $9bn a year for the programme. It has taken 12 people to the moon, and stimulated the development of a range of technologies, including telecommunications and microchips. But in other ways the direct, quantifiable payback from the US's space activities has been small.

Despite this, doing things in space commands a great deal of support among the US public and the political establishment. There is little argument about having government – rather than the private sector – take the lead, both in paying for and organising space developments.

What does this mean for Britain, which in the past year has opted out of being a significant player in industrial and scientific work in space?

The US space programme fulfils a need felt by the average American to see his or her country adopt a strong position in an area widely linked to technological advances. The men and women involved in space ventures are associated with a sense of adventure – which is important in any community.

There is also the certainty that, whatever else happens over the next few centuries, space developments will play an increasingly important part in influencing life on earth. These ideas, and the acceptance by governments of the key role of space, are part of the established thinking not just in the United States, but in much of continental Europe, Japan, and the Soviet Union. Britain is the odd one out.

The UK's refusal to go along with the consensus stems partly from the reluctance of Mrs Thatcher's Government to put state resources behind industrial activities which it thinks should be the responsibility of the private sector. Hence the official UK line: that if private enterprise will not come up with the billions of pounds needed for ambitious projects outside the earth's atmosphere, then the schemes must go unsupported. (These attitudes are buttressed by the historical point that the record of British governments in organising large-scale technological endeavours has been patchy, except during the Second World War.)

The official view in Britain on the limits of state action manifests itself not just in deliberations over celestial matters, but in many other, more mundane, earth-bound areas.

To take one example, the Government is failing to come to grips with London's worsening transport problems.

The UK capital's overloaded roads, railways and underground train system are running to the limit of their capacities, but there is a general unwillingness to use the powers and resources of central government to deal with the problem.

The US space shuttle programme itself provides a hint of the way in which private and public sector should be able to co-operate. While the Kennedy launch centre is firmly under US Government control, only about 2,000 of its 16,000-strong workforce are on the state organisation's payroll; the rest are employed by private contractors.

There can be no cries here of the US Government acting as smothering nanny. Rather it provides a framework for action – which is what it was elected for. Many parts of the American establishment – politicians, engineers and administrators, employed inside and outside government – have struggled over the past two-and-half years to put right the defects in the space programme which the Challenger accident showed up.

This kind of spirit should be emulated in Britain. Our children will not forgive us if we persist in the pigheadedness which, in the past year, has characterised the UK's approach to space policy.

LETTERS

Protectionism by quota

From Mr Daniel Moylan.

Sir, Mr Bridge (Letters, September 10) argues that the case for defending the interests of consumers from trade protectionism is based on a semantic confusion: Are not most consumers also producers, making up on the roundabouts of production what they lose on the swings of consumption?

But his signature is followed by: "Chairman, The Textile Industry Support Campaign." While the consumption of textiles is universal in the UK, participation in production is confined to the handful of workers, managers and shareholders who have benefited from a continuous succession of protective arrangements, based mainly on quotas, allowing them to exploit British consumers by maintaining artificially high prices for clothing.

Producers and consumers are not "mostly" the same people. There is a large minority of non-productive UK consumers, including the old, the unemployed and their dependents. They are often poor. Clothing (like food) accounts for a higher proportion of their budget than is the case among the wealthier "producer" classes.

Thus protection by quotas in the textile industry is actually a universal, regressive tax authorised by Parliament; the proceeds of which flow to the textile industry.

Questions as to how continuation of these arrangements can be squared with the competition policy of the Government may be addressed to the Hon. Francis Maude MP at the "Department for Enterprise," and to Mr de Clercq at the European Commission.

Daniel Moylan,
Egan Associates,
7 Kensington High Street, W8.

'Highly intelligent mice'

From Mr Hugh Aldous.

Sir, I'm not sure that Nick Tarrant is right to say (Letters, September 13) that accountancy – or the legal profession, for that matter – attracts able people from university who might otherwise add value to industry and the economy.

The education system in the UK brings on people who like tackling academic problems in a remote way. They like words, paper, concepts and discussion; not action, production floors and direct involvement with a workforce.

In a previous generation such people would have made good civil servants, managers of the British Empire, and academics. Today they can earn *very* large profit shares working in big firms of accountants or lawyers.

I doubt whether they or indeed their firms are making the best contribution to the economy. I also doubt whether, by their nature, they necessarily can do so. How many of them could run their own business outside the still-sheltered garden of their profession? How many make a day-to-day contribution to the running of their clients' businesses? How many managing partners have been looking for the spirit of enterprise and real business acumen among a pretty grey profession?

To some extent the professions have lost men of stature, style and acumen, and attracted large numbers of highly intelligent mice. The increasing size of a decreasing number of large firms has made the culture even greyer.

We need to turn some of the mice into men again. Then Nick Tarrant might be right. But if that happened we might also be able to do more than we do now for real value-added enterprise in our economy.

Hugh Aldous,
Robson Rhodes,
186 City Road, EC1

The recruitment season opens

From Miss C.H. Dawes.

Sir, Max Findlay's interesting article on the shortage of law graduates (September 14) makes the valid point that "it is going to be that much more difficult for undergraduates to obtain truly independent advice on where to apply".

Having been involved for eight years in recruiting articled clerks, I believe that the undergraduate's own judgment is the best guide on which firm of solicitors to choose. I would recommend that they talk to third year undergraduates who have already made a choice. I recommend, too, that they apply for summer vacation jobs in different types of firm (applying just after Christmas).

This will help them decide which firms they should apply to for articled clerkships; they should then apply to not more than 10 or 12 firms. If they have a choice among offers, their decision should be made on the basis of the impression made on the applicant by the people in each firm. An undergraduate should choose the firm where he or she feels that they have most in common with the people who work there.

We are at the beginning of the articled clerk recruitment season. I wish everyone concerned – candidates and firms – the best of luck.

Harriet Dawes,
Articled Clerk-Partner, Lovell White Durrant,
21 Holborn Viaduct, EC1

Connection loud and clear

From Sir Eric Sharp, Chairman, Cable and Wireless.

Sir, The merger of the Eastern Telegraph Company and the Marconi Wireless Telegraph Company in 1929 as "Cable and Wireless" (Letters, September 15) was not designed simply to "protect" cable interests, but was a voluntary merger established to develop telegraphic communications both by cable and by wireless telephony.

That fusion of the competing technologies, in fact, became the model followed in the development of telegraphic communications throughout the world – and indeed was swiftly followed in the US with a similar merger.

The first Cable and Wireless court of directors included Signor Marconi, and so he has every right to serve on C&W's celestial board. Incidentally, I can assure Mr Gruenberg that there was no bad connection; the message came to me via Mercury – and therefore came through loud and clear.

Eric Sharp,
Cable and Wireless,
Mercury House,
Theobalds Road, WC1

PCBs not used

From Mr A.R. Josling.

Sir, Your reference to moves in Canada to phase out polychlorinated biphenyls (PCBs) in the manufacture of electrical equipment (September 9) could imply that PCBs are used in the UK capacitor industry.

We have not used PCBs for at least 12 years. To the best of our knowledge no UK capacitor has used them since then.

A.R. Josling,
RIC,
Budds Lane,
Romsey, Hampshire

New standards for TV transmission could be international

From Mr Andrew Vere.

Sir, The US decision against the 1125/60 high definition television/video option (Letters, September 8) is another example of government intervention preventing international common standards.

In the 1950s and 1960s the industry base for producing television equipment was in the UK. We should ask ourselves why that base has been eroded – all that remains is peripheral and film transport equipment. The reason is that the UK domestic customer base was state controlled. Even after the 1955 introduction of independent television the situation did not change: it was simply a case of transferring a monopoly into a duopoly.

State interference in Europe has provided repeated examples of "good intentions" frustrating and corrupting the potential basis for a whole new generation of entrepreneurial ideas. The Eureka project may well be successful – in 10 years time – but by then the UK will no longer have any single manufacturer capable of producing high volume television equipment.

Broadcasters have dominated TV transmission in Europe. But non-broadcasters provide the customer base for the new television technology. The 1125/60 line system will be used to produce and generate high quality pictures, no matter what.

Andrew Vere,
SVC Television,
142 Wardour Street, W1

FINANCIAL TIMES
Friday September 16 1988

Ford to build electronics plants for $185m

By Kevin Done in London and Tom Burns in Madrid.

FORD MOTOR of the US is to invest $185m to build two electronics plants in North America and West Europe to meet surging demand for electronic car components.

The $68m European plant, which is to be located near Cadiz in southern Spain, was originally to have been sited in Dundee, Scotland.

Ford abandoned its plan to invest in the UK earlier this year, however, in the face of bitter inter-union wrangling over a single union agreement for the plant.

Mr Oscar B. Marx, automotive components executive director of Ford's diversified components operations, said that opposition in the UK to a single union plant had prompted Ford to look elsewhere.

The company's "past experience with Spanish workers had been most favourable."

In addition to the Spanish plant, which will be Ford's first facility in Europe for the production of sophisticated electronic engine management systems, Ford is spending $117m on a similar US plant.

The US facility will be located at Upper Gwynedd, Pennsylvania and will replace the nearby outdated electronics plant at Lansdale.

Automotive electronics is one of the fastest growth sectors in the world motor industry, and according to Ford the average worth of electronic contents in a car is forecast to rise to as much as $1,600 per car by the mid-1990s from $250 in 1980 and only $25 in 1970.

Mr Harold Poling, Ford vice chairman and chief operating officer, said that electronics was "the keystone in the operational performance of tomorrow's vehicles."

Both the Spanish and US facilities will produce so-called EEC-IV electronic control modules (ECMs), the on-board computers which are designed to manage critical aspects of engine performance, fuel economy and emissions control.

The EEC-IV ECMs are already used on most of Ford's North American car and truck range, but in West Europe such engine management systems have been limited to Ford's top-of the range Granada/Scorpio and some Sierra models.

The earlier introduction in the US was forced by tighter emission control regulations, and demand for more sophisticated electronic engine management sytems is now expected to surge in West Europe as stricter controls are also introduced by most European countries.

The Spanish electronics plant will be located at Puerto de Santa Maria, near Cadiz. It will employ around 350 people. Pilot operations are scheduled to begin in 1990 with full capacity reached in 1993.

Mr Marx said the new plant would act as a magnet that would draw other electronics suppliers to the Cadiz area. Cadiz, which once boasted a shipbuilding industry, is one of Southern Spain's most depressed zones.

Ford's refusal to establish the plant at Dundee followed opposition from the TUC to a "single union" agreement the company had reached with the engineering union, the AEU.

Although the future Cadiz factory is unlikely to have a single union it will have, as do all industrial plants in Spain in observance of the domestic labour legislation, a single works council or workers committee, on which elected members of different unions sit to negotiate with the management.

Under this Spanish system, Mr Marx said, it was possible for a company like Ford to accept more than one union.

In addition to Spanish union practices, Ford has evidently also been attracted by solid financial incentives to invest in Spain.

Yesterday the Spanish government approved a straight Pta 2.89bn ($23m) subsidy, and a further, undisclosed sum has been awarded to the US company by the regional government of Andalusia.

Testing time for economic co-operation

David Marsh on today's meeting of the Franco-German Finance Council

TODAY's Franco-German talks in Frankfurt look at first sight like a meeting between an irresistible force and an immovable object.

Mr Pierre Beregovoy, the French Finance Minister, will be greeted by his host, Mr Karl Otto Pöhl, the president of the Bundesbank, as the climax to a summer of French sniping at the West German central bank's monetary policies.

The two sides have good reason to play down differences. A display of goodwill seems likely at the planned lunchtime press conference.

But over the longer term, French and German economic policymakers will have a tough job avoiding conflict.

Today's gathering is the third full session of the Franco-German Finance Council grouping finance and economy ministers with central bank governors, created last January.

Outside the public eye, the French and German central banks during the last few years have made considerable progress in improving co-operation, for instance over currency intervention techniques.

But at the more overt political level, the air has been thick with controversy. Potentially at least, today's meeting will provide an opportunity for Mr Bérégovoy to renew this summer's criticism of the Bundesbank's tightening of monetary policy.

West German efforts during the past few months to support a weakening D-Mark through interest rate increases and heavy dollar sales run counter to efforts by Paris to stimulate its economy through easier credit.

The Bundesbank's action to stiffen the D-Mark against the dollar has also threatened strains in the European Monetary System (EMS). The franc has come under selling pressure on rumours of a forthcoming currency realignment.

Neither France nor Germany wants a realignment now. French and German inflation rates are converging, and unit labour costs are growing more slowly in France than in Germany.

But the Bundesbank feels a D-Mark revaluation cannot be too long delayed in view of the runaway increase this year in German exports to the rest of the EC.

The signs of shakiness this month in the EMS mean that both France and Germany will want to avoid any statements today likely to encourage a speculative run into the D-Mark.

Fear of EMS tensions was a factor behind Mr Bérégovoy's public criticism in July that the Bundesbank was failing to consult its partners over dollar sales.

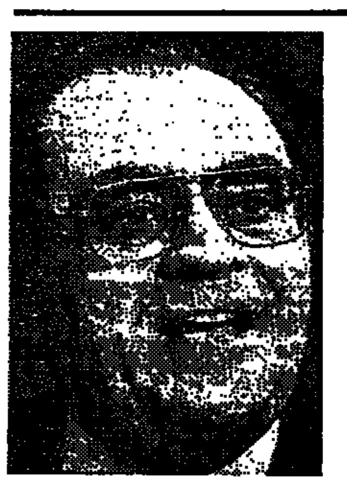
The claim was hotly denied by Mr Pöhl. Lately, however, the French Finance Minister has been more stoical.

The Banque de France's action last month in pushing up money market interest rates following the 0.5 point rise in the Bundesbank's discount rate indicates that Paris is giving priority for the moment to maintaining the franc's EMS value.

Additionally, latest German statistics showing a 3.9 per cent real increase in GNP in the first half this year are likely to disarm French criticism that Bonn is not doing enough for the world economy.

French and German officials say Mr Gerhard Stoltenberg, the Bonn Finance Minister, gets on better with Mr Bérégovoy than with his conservative predecessor, Mr Edouard Balladur.

Nonetheless, Mr Bérégovoy's summer outburst scarcely endeared him to the Bundesbank, which is fundamentally suspicious about the aims of the Finance Council.



Mr Pierre Bérégovoy, French Finance Minister (left), and Mr Karl Otto Pöhl, president of the West German Bundesbank (right), met in secret on Wednesday to discuss ways of calming European currency markets, Agencies report.

Currency traders are nervous about a possible realignment of the European Monetary System but Mr Bérégovoy said that Mr Pöhl and he share a view that "the franc and the D-Mark should be two solid currencies."

Mr Berégovoy added yesterday: "The EMS is functioning in an appropriate manner."

The treaty establishing Franco-German Finance and Defence Councils, which both governments wanted ratified by this autumn, is being held up by a dispute over the central bank's autonomy.

The Bundesbank was highly irritated in January when it was informed by the Bonn Finance Ministry at the last moment that the Council would to be set up not through a simple inter-government agreement but under a legally binding treaty.

The Bundesbank's view that the Council is partly a French ploy to encourage West Germany to take a more expansionary, and thus more inflationary, policy has some adherents in the Bonn Finance Ministry and in parliament.

But Mr Hans-Dietrich Genscher, the Foreign Minister, strongly opposes the Bundesbank's line that a preamble be inserted in the treaty stressing that its autonomy be unaffected.

The row over the Bundesbank's independence is important above all because it affects the delicate balance of power between Bonn and Frankfurt.

The rumpus over a possible loss of independence was a setback to Mr Pöhl's authority within the policymaking Bundesbank council. It has been one of the reasons behind a clouding of Mr Pöhl's relations with the Finance Minister over the past year.

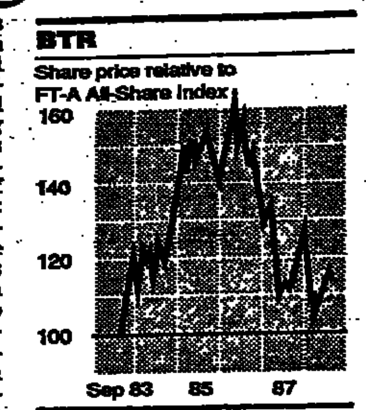
THE LEX COLUMN

Racal wrings the right number

The Racal publicity machine is moving into top gear with the pathfinder prospectus for Racal Telecom; and while this is sufficient reason to be sceptical about some of the boasts being made about one of the world's biggest cellular phone operators, it promises to be one of the more exciting stock market debuts for some time. Whatever one feels about the future value of the business, Racal's ability first to challenge, then to overtake BT in the race to establish the premier UK company in the field is a considerable achievement. In less than six years, it has built a company which is expected to earn after-tax profits of $55.7m in the current year, and is growing at a phenomenal rate.

The company has no gearing, and is self-financing; but while the estimated price of up to £1.85bn is well below the £2.4bn bandied about a few months ago, a prospective multiple of between 28 and 33 times earnings will make some investors catch their breath. Even assuming that the company raises its earnings by another 80 per cent in the year to March 1990, this would still put the prospective multiple at well over 50 per cent above the market. By US standards, though, the issue looks far less expensive; and if the Scandinavian experience is a guide, the UK cellular phone market will grow and grow for a very long time.

However, the increasing cost of incentives, and the recent complaints about the quality of the service, raise questions about the sustainability of current gross margins of over 50 per cent. And while competition from a third operator is a long way off, Racal Telecom's ability to continue growing its earnings rapidly during a recession still has to be tested – despite the alluring arguments that the Vodafone is an efficiency tool, proof against economic downturns.



Guinness

Though the market may be showing a puzzling lack of interest in the current results season as a whole, its cautious response to Guinness's 21 per cent rise in interim profits is more understandable. The figure is merely another snapshot in a time of exceptional change. The profit improvement in spirits – 8 per cent after stripping out the Schenley acquisition – comes after a period in which 200 distribution agreements have been scrapped around the world, and the proportion of overseas distribution in the group's own hands has gone from 25 to 75 per cent. Taken with the associated upheavals in the stock chain, this obviously makes the statement of profits a fairly discretionary affair.

Besides the problem of forecasting earnings, it is particularly hard to judge what rating those earnings deserve. On the plus side, it seems clear that shaking off the bad old ways of Distillers promises growth above the industry average; and the balance of sales between Europe, the US and the Far East is exemplary. The group also stands apart from the monopolies investigation into the brewing tie, and in narrower stock market terms is still a theoretical buyer of close to a tenth of its own equity.

The offsetting drawbacks are nothing if not public – the Takeover Panel ruling on Distillers, and the threat of litigation from Argyll. In the medium term, there is the subtler threat of earnings dilution, should the LVMH agreement break along natural lines with Guinness paying a suitably fancy price for M'oet Hennessy. More subtly again, if the world drinks industry resolves itself into winners and losers, Guinness may pay the winner's penalty in being denied a bid premium. After six months of outperformance, the stock's rating is in line with Grand Metropolitan and Allied Lyons; that may be enough to be getting on with.

BTR

BTR's 31 per cent rise in profits adds substance to the market's tentative change in attitude towards outcast conglomerates. In the last few months BTR has outperformed the market by about 10 per cent, and Hanson by 15, as their diversity of business and location suddenly seems desirable to investors anxious about rising interest rates and the squeeze on consumers. But yesterday's figures show BTR's merits to be not merely defensive. All the old arguments about the company's growth coming mainly from acquisition, and there being a limit to rising margins, seem to have missed the point – as does the assumption that big equals slow-growing.

Despite a market value of £4.8bn, the company is likely to increase its earnings this year by more than 20 per cent, and next year by a little less. While the acquisition of ACI is responsible for part of this, most is now of the home grown variety. Some of the 20 per cent "organic" growth in the first half is tied to acquisitions, in that it represents further cost savings from recently purchased companies; but increasingly growth is coming from investment in existing businesses. This year BTR is to spend one and a half times depreciation on capital investment, which should keep profits moving forward even when the present gap in takeover activity feeds through to earnings and when demand slows.

BTR may never again be a glamour stock, but it surely deserves more that its single figure p/e multiple. It is these prospects, rather than yesterday's somewhat odd free gift of a warrant, that may cause investors to look again at the future.

RTZ

If RTZ had the same sort of attitude towards accounting for profits from major asset sales as Consolidated Gold Fields, then its first half profits would have looked even more impressive. Even so, it is hard to fault a 77 per cent rise in attributable profits; and while this sort of performance is not going to be matched in the second half, a one third rise in the interim dividend is a useful clue to the company's own profit ambitions for the full year.

Balance sheet gearing is down to 10 per cent, and could be eliminated overnight if RTZ sold its Lasmo stake. But the group is in no hurry to deploy its undoubted financial firepower on another acquisition. Meanwhile, the shares are selling on a prospective multiple of 8, reflecting the fact that the stock market is nowhere near as optimistic as RTZ about the outlook for base metal prices.

Jayawardene to step down in Sri Lanka

By Mervyn de Silva in Colombo and Robin Pauley in London

PRESIDENT Junius Jayawardene of Sri Lanka, who is 82 tomorrow, has decided not to stand in the forthcoming presidential elections due between December 4 and January 3.

His decision comes as he faces one of the most unusual and potentially serious tests of his 50-year political career with the violent and proscribed JVP party organising a nationwide period of "birthday mourning."

The JVP is asking all shops and businesses to close today and all homes and buildings to fly a white flag, the Buddhist mourning colour, over the weekend.

The police have been busy trying to prevent the insult to the president by warning businesses not to take part in today's *hartal* (strike) and the Government has told shopkeepers and private bus operators that failure to maintain normal services will make them punishable under emergency regulations.

Both his reputation as a shrewd and feared patriarch as well as the credibility of his 11-year rule are at stake.

The Indian Government announced a unilateral five-day ceasefire yesterday in its campaign against the minority Tamil Tiger guerrillas in Sri Lanka.

Paradoxically, as the minority Tamil problem seems, at least temporarily, to be being contained, President Jayawardene's difficulties with his own majority Sinhalese ethnic group worsen through the JVP's increasingly violent campaign.

The ruling United National Party's presidential candidate in place of Mr Jayawardene is to be Mr Ranasinghe Premadasa, the Prime Minister, who was one of the strongest opponents of the Indo-Sri Lankan peace accord which met many of the Tamil demands.

Mr Premadasa was in Japan and not properly consulted when the accord was put together. His choice as candidate will worry Mr Rajiv Gandhi, Prime Minister of India; conversely it should do much to calm the JVP, whose hatred of Mr Jayawardene is not reflected in its view of Mr Premadasa.

One possibility is that Mr Jayawardene will assure the Indians that he will remain party leader and in effective command until Mr Premadas or Mrs Sirimavo Bandaranaike, leader of the SLFP, the main opposition party, is installed as president on February 4. Such a statement could, however, heighten suspicions that Mr Jayawardene will still try to pull strings if his party wins.

The JVP, largely supported by youth in the south of the island, certainly means business. Last week, a bomb in the heart of the city killed five and injured 30. The dead included the manager of a hotel that had disregarded a JVP call to mourn the death of a pro-JVP lawyer who died in police custody.

On Monday the JVP paralysed Colombo, the suburbs and many provincial towns and brought all transport to a standstill.

UK expects first major delivery of mail today

By Jimmy Burns, Labour Staff, in London

THE UK Post Office last night said it expected the first major national deliveries and an initial flow of mail between Britain and abroad to be underway from today.

The prospect of the first effective breakthrough since the outbreak of the national postal strike two weeks ago increased following the decision by over 30,000 postal workers in London to return.

London sorting offices, led by the traditionally militant Mount Pleasant, handle more than one-third of all Britain's mail and are the gateway for all foreign mail.

Earlier yesterday there was a significant development when about 4,600 postal workers in Glasgow agreed to go back. The prolonged strike there had been holding up deliveries throughout Scotland because Glasgow acts as a major distribution centre.

By last night the return to normal work by staff in London and Scotland and the reopening of 69 of the 82 key mechanised sorting offices meant that about 20,000 of the 100,000 members of the Union of Communication Workers remained on strike.

Mr Bill Cockburn, the Royal Mail's managing director, said last night: "It is becoming increasingly clear that those few offices still on strike are out of step with the national mood for a return to work, and I urge them to join with the others. They owe it to their customers and to their families."

However, UCW officials denied that those still on strike were flouting the instructions of their union. They said that under the peace deal struck by the UCW and the Post Office it had been left up to individual branches to agree arrangements for returning.

Moscow reveals nuggets on gold

Continued from Page 1

ings have been channelled into upgrading his trading room.

"We have Reuter dealing systems, telexes, direct-dial phones." And his traders are not just buyers and sellers.

There are some relics of even Stalin's era, however, that glasnost has not changed. It was Stalin who declared information about the Soviet Union's gold production a state secret.

Texans prepare to weather storm

Continued from Page 1

On its present course, it will hit the coast near Brownsville on the Texas-Mexican border by early this afternoon. But even if it veers away, it is likely to cause extensive damage elsewhere.

If the hurricane veers north, "it could actually rake a good portion of the Texas coast," Mr Robert Sheets, director of the US National Hurricane Centre in Miami, said.

The hurricane, which was classified as force five, the strongest category, lost some power as it crossed the Yucatan on Wednesday. But it began to regain strength yesterday as it crossed the Gulf.

Last night it was moving north-west at about 24kph. Winds of between 210kph and 225kph are expected when it hits the Gulf coast today.

In Texas, the West Beach area of Galveston was one of the first areas to be evacuated, as roads serving the area were expected to be flooded by tides three to four feet above normal in advance of the storm.

Police in the state will be on the alert throughout the storm to prevent looting. The city issued an emergency ordinance against profiteering on storm materials.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	21	70	Dubrovnik	S	24	75	Malta	F	28	82	Rhodes	S	25	77
Algiers	F	30	86	Edinburgh	F	13	55	Manchester	C	13	55	Rio de J'o	F	40	104
Amsterdam	R	16	61	Faro	S	24	75	Manila	F	32	90	Rome	F	26	78
Athens	F	31	88	Florence	C	22	72	Melbourne	S	17	63	Salzburg	C	11	52
Bahrain	C	37	99	Frankfurt	R	17	63	Mexico City	F	25	78	San Francisco	C	20	68
Bangkok	R	33	91	Funchal	C	22	72	Miami	C	29	85	Seoul	C	25	79
Barcelona	-	—	—	Geneva	C	16	61	Milan	S	19	66	Singapore	C	32	90
Beirut	-	—	—	Gibraltar	F	24	75	Montreal	F	27	71	Stockholm	C	16	61
Belfast	C	12	54	Glasgow	F	13	55	Moscow	C	17	63	Strasbourg	R	12	54
Belgrade	C	19	66	Guernsey	C	14	57	Munich	R	11	52	Sydney	C	17	63
Berlin	C	13	55	Helsinki	C	12	54	Nairobi	C	22	72	Taipei	F	32	90
Biarritz	F	16	61	H. Kong	C	31	88	Naples	F	21	70	Tangier	C	22	72
Bombay	F	31	88	Innsbruck	C	11	52	Nassau	C	31	87	Tel Aviv	S	29	84
Bordeaux	C	18	64	Inverness	C	11	52	New Delhi	F	37	99	Tenerife	S	27	81
Brussels	R	15	59	Islamabad	F	37	99	New York	F	26	79	Tokyo	C	27	81
Budapest	C	15	59	Istanbul	F	27	81	Nice	F	23	73	Toronto	F	20	68
B. Aires	F	24	75	Jakarta	R	33	91	Nicosia	F	32	90	Tunis	S	36	97
Cairo	F	32	90	Jersey	C	14	57	Oporto	S	23	73	Valencia	S	23	73
Cape Town	F	19	66	Jo'burg	C	22	72	Oslo	F	13	55	Venice	F	19	66
Caracas	R	24	75	Lima	C	18	65	Paris	C	16	61	Vienna	C	15	59
Casablanca	F	25	77	Lisbon	F	27	81	Peking	C	20	68	Warsaw	C	14	57
Chicago	F	12	54	London	C	15	59	Prague	F	15	59	Washington	S	17	63
Cologne	C	14	57	Los Angeles	F	23	73	Reykjavik	D	13	55	Zurich	F	13	55
Copenhagen	F	14	57	Luxembourg	C	13	55								
Corfu	F	24	75	Madrid	S	20	68								
Dallas	F	22	72	Majorca	R	16	61								
Dublin	C	12	54	Malaga	S	31	88								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Price Waterhouse signal

Continued from Page 1

been no moves so far in the US to follow suit.

To surmount the legal obstacles "a unique type of organisation that permits the retention of capital and the attraction of outside capital," would be necessary, said Mr Connor.

Promoting the Price Waterhouse name is part of a long-term project to prepare the market for an equity issue. Meanwhile, Price Waterhouse could raise money in a public debt issue.

"Tapping the capital markets on a long-term basis is a near-term objective of the management committee of Price Waterhouse World Firm."

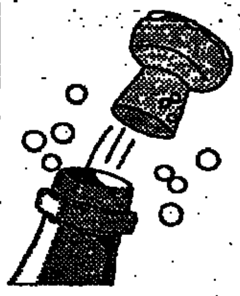
Arthur Andersen is the only accountancy firm so far to have raised money publicly, with an issue in the US short-term commercial paper market. It has also raised $100m as part of a long-term project to develop its main US training centre.

Mr Don Hanson, in charge of Andersen's UK firm, said his firm had no plans to sell shares in the firm. But he went on: "It may be that we will have to seek equity finance in the long term."

FINANCIAL TIMES
COMPANIES & MARKETS
Friday September 16 1988

INSIDE

LVMH bubbles over ahead of meeting

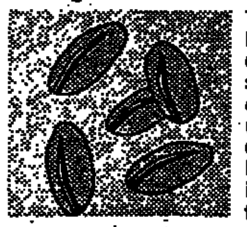


It's been a heady week for LVMH, France's leading champagne, cognac and luxury products group. Over 11 per cent of the company's shares have changed hands in hectic bourse trading; its share price hit a new peak and it now boasts the largest stock market capitalisation of any French company. All this is just a prelude to next week's special shareholders meeting which will determine the new management structure of the group. Page 26

Futures get a wary welcome

A dramatic show of local support greeted the new Tokyo and Osaka stock index futures contracts which opened simultaneously with a festive bang earlier this month. But demand for futures trading has fallen steeply because September is the end of the fiscal year for many institutions, stock market activity has been sluggish and because futures trading remains still relatively novel in Japan. Page 46

Kenya's robust coffee grind



The quiet undulating heartland of the Kenyan coffee industry contrasts sharply with the tumultuous activity of the international coffee community. While prices have tumbled and costs increased, Kenya has the added insult of a quota system that discriminates against its high quality output. But Kenya's burgeoning population and the need for economic reform are forcing the pace of change. Page 42

India sees borrowings surge

India is likely to boost its borrowings in international markets by as much as 25 per cent this year. The country's foreign exchange needs are tied to financing vital imports for modernisation of industry and development projects, but last year's drought meant a surge in food grain and cooking oil imports, creating a large trade gap. Page 32

Merrill and Kleinwort in challenge to Japanese

Merrill Lynch and Kleinwort Benson are preparing to become market makers in equity warrants, challenging the Japanese companies which dominate the field. They will be the first firms to re-enter this volatile sector of the Eurobond market since last summer, but ironically the decision to return comes at the end of an equity warrant boom. The market is now saturated. Page 32

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)					
Rises			Zayre	34⅞	+ 1⅞
MAN	209.5	+ 5.7	Falls		
Linde	690	+ 10	[illegible]	11⅛	− 3¼
Kaufhof	376.2	+ 4.2	[illegible]	76⅞	− 3⅜
Varta	450	+ 5	**PARIS (FFr)**		
Falls			Falls		
RWE	234.5	− 6.5	Promodes	2205	− 185
Lufthansa	143	− 2	Midi	1430	− 120
NEW YORK ($)			Salomon	1700	− 100
Rises			Navigation Mixte	1001	− 50
[illegible]	35	+ 1¼	LVMH	3051	− 315
[illegible]	43⅞	+ 6⅞			
[illegible]	13⅞	+ 1⅞			

Tokyo closed for public holiday. New York prices at 12.30.

LONDON (Pence)			Racal Elec.	310	+ 8
Rises			Rank Org.	881	+ 9
AB Foods	509	+ 16	Shell Trans.	£10⅞	+ ⅛
Aurora	109	+ 13	Stand. Chart.	617	+ 15
BTR	293	+ 10	Templeton	125	+ 5
BP	248	+ 5½	Towle & Arnold	514	+ 8
Cadbury Sch	358	+ 12½	Falls		
Cycle Pak	127	+ 7½	BPB	252½	− 8½
Enterprise	670	+ 28	Gen. Accident	964	− 16
Eurotunnel Wts	304	+ 9	GUS A	£19½	− ⅝
Grand Met	485	+ 9	Land Securities	543	− 11
Hanson	346	+ 10	Lon. Int. Grp.	199	− 20½
Morgan Grenfell	260	+ 6			
Morland	645	+ 17			
Plessey	224	+ 5			

Linde takes over Lansing Bagnall fork lift group

By Terry Dodsworth, Industrial Editor, in London

LINDE of West Germany is buying Lansing Bagnall, the UK's largest fork lift truck company, in a deal that will reinforce Linde's position as the leading manufacturer in Western Europe.

The surprise agreement, for an undisclosed sum, follows a far-reaching shakeout in the world industrial truck market over the last few years. Linde has built up its position through a steady acquisition programme in Europe over the last few years.

For Lansing, the deal means the end of 45 years of independence as one of Britain's most effective private equipment manufacturing companies. Sir Emmanuel Kaye, chairman of the Kaye Organisation, which owns Lansing, and the doyen of the UK's industrial truck industry, said yesterday that the company had decided to join forces with another materials handling company "to meet the needs of the single European market in 1992."

The two companies had products and geographical strengths that were largely complementary, he added, and Lansing would be allowed to retain a high degree of autonomy.

Dr Hans Meinhardt, Linde chairman, said that the company intended to build on Lansing's products and facilities. "Over the next few years we will be making substantial investments in new equipment and products in order further to improve Lansing's international competitiveness," he added.

According to industry analysts, Lansing, which manufactures in Germany as well as the UK, is placed around seventh in the world league of forklift truck manufacturing companies. Its turnover last year amounted to £235m ($400m), and it has 5,100 employees, but its profits have been under some pressure in recent years. Although it has not revealed figures for last year, the company made around £6m in 1986.

Linde is a much more diversified company, with interests spreading from process plant to refrigeration equipment. About DM1.4bn of its total sales of DM4.1bn ($2.2bn) came from its materials handling division last year.

The West German company has led the rationalisation of the European industry over the last few years, when industrial truck manufacturers throughout the region have been struggling to cope with overcapacity and fierce competition.

As part of this process, it acquired Fenwick in France four years ago, and more recently has bought Wagner in West Germany. It also has strong interests in Spain, Italy and Switzerland.

HCA to go private in $3.3bn buyout

By James Buchan in New York

HOSPITAL Corporation of America (HCA), the largest US hospital chain, is seeking to go private in a $3.3bn deal that could herald a big consolidation of the troubled industry.

Stock in the Nashville-based company, which pioneered large-scale for-profit health care 20 years ago, rose sharply on Wall Street yesterday in response to an offer of about $47 a share from the company's management. Stocks of other public hospital companies rose in expectation that they might follow suit.

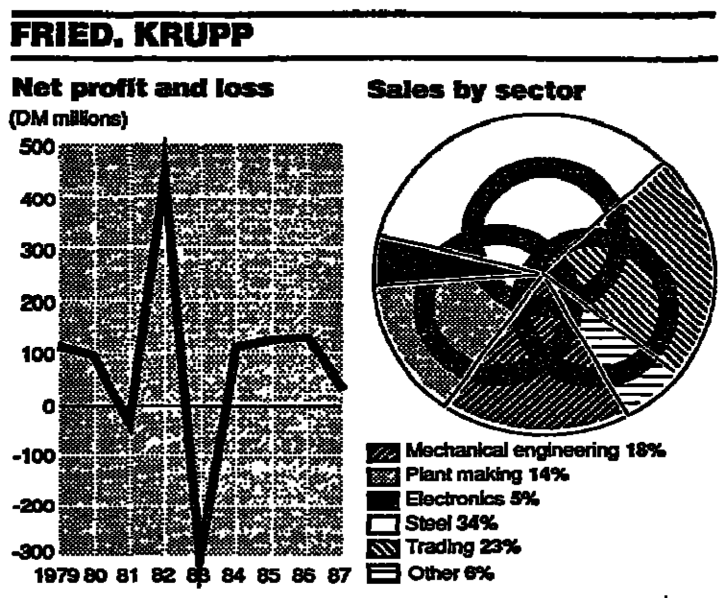
HCA, which has turnover of $4bn a year, said yesterday that management led by Mr Thomas Frist, the company's chairman and founder, had told directors they were seeking to buy the company in a leveraged buy-out.

The board said that special outside directors would consider the proposal, which would be at or about $47 a share and substantially in cash. It was not clear how the deal would be financed and neither HCA nor Mr Frist would comment further.

For Mr Frist, 50, yesterday's announcement is the boldest in a series of steps to re-organise his company in the face of a grueling slowdown in its once booming business. Founded in 1968, the company rode the huge expansion in US health care. But since 1983, when the US Congress introduced tough measures to cut the cost of the Medicare national health insurance plan, HCA has been faced with declining occupancy rates and falling profits.

The company's net income has fallen from $297m in 1984 to about $158m before special items last year. In a move last year that presaged yesterday's announcement, Mr Frist sold off 104 less profitable hospitals and reduced the company's capital employed by paying back debt and buying in stock (also at $47 a share).

Berthold Beitz: Excellent contacts in the Eastern bloc



Wilhelm Scheider: Periodic differences with Mr Beitz

Humbling of a German giant

David Goodhart examines the declining fortunes of Fried. Krupp

FRIED. Krupp, once the epitome of German industrial might, is learning to live with humiliation.

The company's deteriorating finances and senior management rows are frequently picked over in the West German press. Its once loyal workers took to the streets over plant closures earlier this year.

And one of the world's more unpredictable governments, the Islamic Republic of Iran, not only owns 25 per cent of the company but seems increasingly disaffected with the miserable return it has been earning. It denies, however, last week's reports that it wants to sell the stake.

How Krupp reached this pass illustrates, according to many analysts, the dangers of a curiously German form of corporate control – the philanthropic foundation.

Unlike some major German companies, such as the industrial group Thyssen, Krupp did not replace the discipline of family control with the discipline (and fresh cash) of the stock market once family involvement had petered out.

Instead, in the late 1960s, it clung to the financial form and paternalistic attitudes of family ownership, by establishing a Krupp philanthropic foundation, which held all the group's shares.

Ownership by passive foundation is not always disastrous – as the electronics group Robert Bosch shows. But it can produce an unhealthy concentration of power.

In the case of Krupp, one man, Mr Berthold Beitz, now nearly 75, both controls the foundation and is chairman of the group's supervisory board. Moreover, he has a reputation for intervening in the daily management of the group.

Mr Beitz – currently vice-chairman of the International Olympic Committee and widely regarded as an international statesman first and businessman second – has had a remarkable career. At the age of 27, he was running Poland's oil industry for the Third Reich but used his power to save thousands of Poles and Jews from deportation to death camps.

Mr Alfried Krupp, the last family owner of the group, needed a new chairman with an unblemished reputation after his release from prison in 1952 – having served part of a sentence related to the company's wartime activities. Mr Beitz, who had made a name for himself in the insurance industry, agreed to take the job.

The sprawling empire of steel, armaments, capital goods and shipbuilding, which had grown up over a century, quickly shook off the effect of wartime bombing. Mr Beitz, according to colleagues, had little interest in technology or strategy, but thanks to his excellent contacts – particularly in the East bloc – proved an accomplished salesman.

He also proved a difficult man to work for and although many of Germany's leading business figures have worked at Krupp, few have stayed.

This would not have mattered if the business had been prospering. But after Alfried Krupp's death in 1967 a serious financial crisis emerged and Mr Beitz was demoted to run the newly-formed Krupp foundation while Mr Hermann Abs, head of Deutsche Bank, which lead the rescue, became supervisory board chairman.

Mr Beitz fought back and in 1970 succeeded Mr Abs. He then ran through four management board chairmen before settling on Mr Wilhelm Scheider in 1980.

Meanwhile, Europe's steel crisis had begun in 1974 and in the same year Mr Beitz persuaded the Iranian Government to pay Dm 1.4bn for a 25 per cent stake in Krupp.

With the benefit of hindsight, most Krupp-watchers believe that was a regressive move. The Iranians were undemanding shareholders more interested in technology transfer than dividends. Control remained firmly in the hands of the foundation – in other words Mr Beitz – and rationalisation was postponed by the cash injection.

Today Fried Krupp remains the 17th largest company in Germany, employing 65,000 people, and in most years it makes a small profit on its turnover of over Dm 14bn ($7.6bn); but its underlying finances – and especially those of the steel subsidiary – are not healthy.

In its last accounts bank borrowings and other liabilities amounted to Dm 5.6bn against equity of less than Dm 2bn.

Critics say it is not fair to place too much blame on Mr Scheider, who has had to cope with periodic differences with Mr Beitz and some demotivated senior managers. Despite these difficulties, he has sold off the troubled shipbuilding side and developing the promising electronics division.

Nonetheless, diversification out of steel has been agonisingly slow, and Krupp has long suffered a higher cost base than its competitors. While other steel producers radically reduced their exposure to steel, Krupp's steel turnover actually rose from 25 per cent of the total in 1975 to 34 per cent last year.

Mr Gerhard Cromme, who became chairman of Krupp Stahl after his predecessor left amid allegations of business malpractice, did finally grasp the nettle last May and commenced closure of the Rheinhausen plant in the face of bitter union resistance.

Stahl's weakness through much of the 1980s – in contrast to several steel competitors – has been only sporadically covered by the other divisions; machine building has been patchy and the trading arm (now 50 per cent owned by Lonrho of the UK) is unexciting.

To cap it all the plant building division has just unexpectedly turned in a large loss for 1987, which press reports put higher than Dm 100m. Whatever the cause, the unexpectedness of the loss indicates a lack of management control. There are industry rumours that Thyssen and Mannesmann may take over the division.

This latest slip, which earned the management board a rare public reprimand from the supervisory board, may have snapped the patience of Krupp's banks, tired of unmet performance forecasts.

Now, however, there are rumours that some form of restructuring may be on the way – though it is far from clear to what extent this would stem from internal pressures within the group or external pressure from the banks.

Nor is it clear where any shake-up would leave Mr Beitz. He has recently invited a few heavy-weights, such as Mr Alfred Herrhausen, current boss of Deutsche Bank, onto the board of the foundation, thus providing more independent opinion.

Whatever happens, it is a common view among industrialists that it is no longer just the health of Fried. Krupp that requires decisive action. The chief executive of one competitor said: "A wounded Krupp is bad for Germany. Outside the country people do not realise what a difficult time it has had, and it is still a symbol of the quality and reliability of our heavy industry.

Top manager quits Porsche in US after sales fall sharply

By Andrew Fisher in Frankfurt

PORSCHE, the West German sports car company which has suffered badly from last year's stock market crash and the rise of the D-Mark, yesterday announced the departure of its top manager in the dominant US market where sales have been particularly hard hit.

Mr John Cook, 61, will step down as president of Porsche Cars North America at the end of this month. He has held this position since the subsidiary was set up in Reno, Nevada, in 1984. Mr Cook's decision to leave was taken against the background of impending organisational changes in the US and in agreement with Porsche, the company said.

Following its sales difficulties, the company has cut production sharply, trimmed its workforce, dropped its cheapest model, and started cutting its German dealer network.

With US sales expected to be down by around a quarter to 17,000 cars in the 1988-89 model year, Porsche also expects some of its North American dealers, currently numbering just over 300, to stop selling its models.

The impact of the sales slump has already caused a considerable upheaval in the Stuttgart company's management. The extrovert Mr Peter Schutz, born in Berlin and brought up in the US, was replaced as chairman by the more retiring Mr Heinz Branitzki at the start of this year.

It was Mr Schutz who took the company more heavily into the US market, which accounted for some 60 per cent of sales before the collapse, a level which the company is seeking to reduce to 50 per cent. Branitzki was previously finance director.

Yesterday, Porsche said the changes in marketing strategy aimed at restoring its exclusive image in the US and elsewhere – it is upgrading its model range, especially at the upper end – meant that a younger team was needed, capable of bearing considerable strains.

Mr Cook, who has been in poor health, will provisionally be replaced by Mr Frederick Schwab, finance director of the US subsidiary, until a successor is hired.

Kraft gives up Parmalat chase

By Alan Friedman in Milan

KRAFT, the leading US food processing group with nearly $10bn in annual sales, yesterday admitted that it has given up hope of acquiring Parmalat, one of Italy's largest food and dairy companies.

In an unusual public statement that was made first to employees of the Milan-based Kraft Italia, the US company conceded that "this is the definitive end to our Parmalat talks."

The disclosure came after nearly four months of difficult negotiations between Kraft and Parmalat. The very existence of the talks, which could have seen Kraft spending more than L700bn ($500m) to buy Parmalat, was denied on repeated occasions by Mr Calisto Tanzi, the mercurial chairman of Parmalat who is also a close friend of Mr Ciriaco De Mita, the Christian Democrat prime minister.

Mr Tanzi's only comment came two weeks ago when he said that he had rejected an offer with "attractive values" that came from "foreign multinationals."

Yesterday Kraft said in its statement that "after a detailed analysis of the Parmalat group we made a formal acquisition offer at the end of July which was not negotiable." Kraft said that following a Parmalat shareholders meeting on September 3 the Italian company "told us they could not accept the essential conditions of our offer." This reference to conditions appears to concern Mr Tanzi's refusal to relinquish management control.

The Kraft-Parmalat negotiations ran into political controversy in Rome during the summer months. At the end of June a formal closing date for the deal was even set, according to those involved in the talks.

But both the political wrangle and the full legal audit on Parmalat's books by Milan lawyers for Kraft caused repeated delays. The issue of how to deal with Parmalat's debt burden of around L500bn further complicated the talks.

With the Kraft-Parmalat talks now formally ended analysts in Milan say that Mr Tanzi still needs to find a solution that will enable Parmalat to deal with its financial commitments.

Talks have been held with Federconsorzi Coldiretti, the national federation of Italian farmers' cooperatives, on buying an equity stake in Parmalat. But even this "national solution" was yesterday looking dimmer in the light of remarks by Mr Arcangelo Lobianco, the Coldiretti president, to the effect that there is no short-term plan at hand.

Zayre to sell loss-making discount chain to Ames

By Roderick Oram in New York

ZAYRE, the US stores group, has agreed to sell its loss-making discount chain to Ames Department Stores for $800m and a large minority stake in Ames so it can concentrate on its profitable specialty retailing operations.

The Massachusetts-based company said it planned to pass on to shareholders a "substantial portion" of the proceeds from the disposal through a large stock buyback or other action. Its shares rose $1⅞ to $24⅞ after the announcement while Ames' slipped $¾ to $16½.

Zayre has been seeking for sometime a solution to the problems of its 388 discount stores which reported operating losses of $69m on sales of $1.4bn in the first half ended August 1. Specialty retailing and warehouse clubs, in contrast, had operating profits of $77.8m on sales of $1.3bn in the same period.

Hit by competition, Zayre's primary goal was to restore the discount stores to health by, for example, a new merchandise mix aimed at winning back their traditional low to modeate income families.

But the stock market was not prepared to give Zayre time to do so, Mr Steven Wishner, Zayre's treasurer said. By selling the stores to Ames and taking a stake in the company, the stores gain "breathing room in a sheltered environment."

Ames has shown more success with its discount stores which continue to expand rapidly. Analysts consider its clear strategies for the stores should help it turnround the Zayre stores. Both chains are predominantly in eastern and mid-western states, though Ames stores have typically less selling space and are in smaller communities than Zayre's. Ames earned net profits of $33m on sales of $2.1bn last year.

"Our discount department stores division represents an excellent fit with the Ames organisation," said Mr Maurice Segall, Zayre's chairman. Positive factors include complementary management skills, retail locations and distribution facilities.

Zayre will receive net some $620m cash from the deal out of which it will pay down some $250m of its short-term debt. Most of the rest will be distributed to shareholders. The company will take a third quarter after-tax charge of $110m arising from the discontinued operations.

It will also receive Ames' preferred stock convertible into 8m common shares at $25 each. Converted, the stake represents about 17.6 per cent of Ames common stock.

Zayre, which agreed not to raise its stake to above 20 per cent, will become Ames' largest single shareholder, and will nominate two of its directors and vote with its management on certain issues. The transaction should help Ames block unwelcome overtures. Although no raider has emerged, the stock sometimes has been cited as a takeover candidate.

FN Herstal cuts deficit, sees further recovery

By William Dawkins in Brussels

FABRIQUE Nationale Herstal (FN), the problematic arms and aeronautics offshoot of Belgium's Société Générale, has reduced its first-half loss and forecasts continuing improvement for the second six months of the year.

Group turnover was unchanged at BFr11.5bn ($174.2m), while net losses came to BFr579m, a BFr700m improvement on the first half of last year.

FN's main defence and jet engine-making divisions lifted sales by 2.5 per cent to BFr7.5bn, on which they made a BFr298m loss, an BFr800m improvement on the comparable period's BFr1.09bn deficit.

At the consolidated level, turnover rose slightly to BFr24bn, including BFr7.7bn from Browning, the small arms producer, which became a subsidiary – rather than a group division – in 1987.

Browning is expected to produce a profit for the year, but the rest of FN can expect only a slight improvement, said the company.

It added: "These advances, while inadequate, reflect the efforts made by the group in its action programme for 1987 and 1988. These efforts will be continued in 1989." Those plans included a 1,000 reduction in the 8,000 strong workforce and extensive cost-cutting.

Cost of thrift rescues put at $50bn

By Anatole Kaletsky in New York

THE US General Accounting Office decided yesterday to raise to between $40bn and $50bn its estimate of the costs of rescuing the nation's insolvent savings and loan institutions.

The GAO, the official auditing arm of Congress, had previously put an upper limit of $36bn on the likely cost of thrift rescues.

The new projection, which GAO officials said would be formally disclosed in Congressional testimony, confirmed that the financial collapse of the thrift industry was likely to prove the costliest debacle in the history of US lending institutions, overshadowing even the Third World debt crisis which erupted in 1982.

The GAO's figures will also intensify pressure on Mr Danny Wall, the embattled chairman of the Federal Home Loan Bank Board, to issue more realistic estimates of the cost of thrift bailouts.

A policy of greater realism, in turn, could raise further doubts about the ability of the technically insolvent Federal Savings and Loan Insurance Corporation (FSLIC) to continue guaranteeing depositors' funds. The GAO told Congress in June that FSLIC was insolvent, even assuming that the cost of thrift rescues could be confined within the lower bounds previously used by the accounting body.

Mr Wall, however, has insisted that FSLIC's future cash flow would be sufficient to provide up to $30.9bn for rescuing insolvent thrifts and that this sum would be adequate to solve the industry's problems.

If, as expected, Mr Wall raises his estimate of the cost of thrift failures, he will be hard put to explain how the new costs are to be met.

Officials in the Reagan Administration, including Mr Wall, have repeatedly promised Congress that taxpayers' funds would not be used to solve the thrift industry's problems. In recent weeks, however, these reassurances have begun to wear thin, exacerbating both the financial and the political difficulties of the thrifts.

The American Institute of Certified Public Accountants has told its members to question the value of FSLIC obligations listed as assets by rescued savings and loan institutions, while some of the federal home loan banks have refused to accept FSLIC notes as collateral for emergency borrowings.

Mr Wall initially responded to these challenges by asking Congress to put the full faith and credit of the US Government behind all FSLIC obligations. But after receiving an extremely hostile response in the House of Representatives, he abandoned this approach earlier this week.

Instead, he has asked the US Attorney General for a legal ruling which would confirm the Administration's publicly stated position that FSLIC already enjoys full government backing.

According to numerous accountants, such guidance might raise as many questions as it resolved, since under the US Constitution Congress, rather than the President, is ultimately responsible for fiscal and monetary matters.

Meanwhile, Democratic Party leaders have pointed out that thrift failures have been due to a combination of deregulation, high interest rates, managerial incompetence and financial abuses. As such, the Democrats argue, the thrift industry's troubles are only the first of many disastrous legacies of Reaganomics which will become apparent over the years.

Bid to force sale of Zenith unit

By Our New York Staff

BROOKHURST Partners, a New York investment group, has initiated a series of court and shareholder actions designed to step up pressure on Zenith Electronics to sell its loss-making television and video operations.

Brookhurst group is asking a Delaware court to overturn certain by-laws governing Chicago-based Zenith so the partnership can try to get three of its nominees elected to Zenith's board. It also wants to shrink the company's board from 10 to six members.

The partnership, led by Mr Herbert Abelow and Mr Nicholas Ihasz, two arbitrageurs, said the actions were necessary to give Zenith a sense of direction.

In a letter to Zenith's board, the partnership said: "Zenith share owners have waited patiently for management to unveil a realistic plan to achieve profitability.

"Yet, after three and one half years of multi-million dollar losses, management offers no assurance that any action will occur or even be proposed."

The company, the last remaining US-owned television manufacturer, has been trying for some time to find a partner or buyer for its consumer products division, which accounted for nearly 50 per cent of its $2.36bn in sales last year.

Losses from the division more than eradicated profits from the company's successful computer operations, which constitute the other half of its business.

Brookhurst stressed it had no desire to takeover or try to run Zenith.

Anglovaal unit raises payout

ANGLOVAAL INDUSTRIES, the industrial arm of the Anglovaal mining house, is raising its dividend to R1 a share from 75 cents, writes Jim Jones in Johannesburg.

The company lifted consolidated turnover to R3.71bn ($1.5bn) from R2.83bn and pre-tax profit to R390m from R246m in the year to June. Net earnings increased to R5.63 a share from R4.15.

The directors expect a further improvement in the current year even though a slower economic growth rate is forecast for South Africa.

Du Pont president to be next chairman

By Peter Marsh

DU PONT, the US's biggest chemicals company, yesterday named Mr Edgar Woolard, 54, as its next chairman and chief executive. He will take over next April from Mr Richard Heckert, who is retiring.

The widely expected announcement comes 18 months after Mr Woolard took over at Du Pont as chief operating officer and president. Mr Woolard joined Du Pont in 1957 as an industrial engineer.

The tennis-playing Mr Woolard has a reputation as a relaxed individual who is not afraid of taking tough decisions. One Wall Street analyst said last night he thought Mr Woolward would continue Du Pont's thrust in recent years to focus more strongly on the specialist, high-value aspects to the chemicals business, with a consequent reduced dependence on commodity materials.

Paris SE to unveil fund-raising plan to restore its reserve fund

By George Graham in Paris

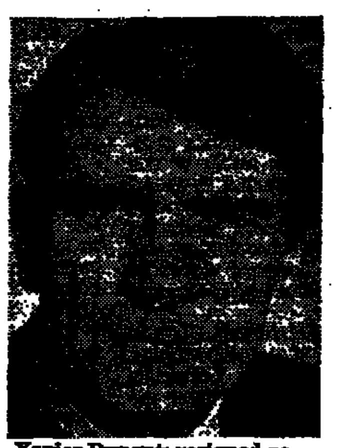
THE FRENCH Stock Exchange will present member firms on Monday with the details of the major fund-raising operation designed to restore the bourse's reserve fund after heavy trading losses in late 1987 and the early months of this year.

The complex operation is designed to raise a total of around FFr700m from member firms, banks and insurance companies, to add to the FFr300m remaining after the trading losses which led to the resignation in June of Mr Xavier Dupont as stock exchange chairman.

A subsequent operation will raise FFr500m for a guarantee fund, with contributions from member firms weighted according to their exposure and to their capital bases.

The exchange has already imposed a minimum capital level of FFr20m by the end of this year, rising to FFr25m at the end of 1989, and is working on a set of capital adequacy ratios to be applied to each firm. These are expected to be announced by the end of this year.

The capital increase, which is expected to be put to a vote on October 3, comprises a number of different categories of stock, designed to take account of the differing financial situations of member firms. In addition to nine firms which have been in financial difficulties, a number of small firms are expected to find it hard to come up with their share of the capital increase.



Xavier Dupont: resigned as chairman after heavy losses

Besides those banks and insurance companies which have bought stakes in stockbrokers, the insurance and banking industries will also take part directly in the operation. Because only broking firms can take shares in the Stock Exchange, the insurers and banks will each take over a small shell firm. One possible shell has already been found. Each industry will provide FFr100m and receive a separate category of cumulative preference stock.

The exchange lost a total of FFr614m - nearly 40 per cent - of its FFr1.6m reserve funds, principally through uncovered positions on the financial futures market. In July it announced a further FFr700m of provisions to cover deficits at a number of member firms.

Some of the banks which now own brokers have contested the traditional idea that the exchange should be collectively responsible in the case of losses at member firms, calling instead for each firm to be required to provide its own capital back-up in relation to the extent of its risks.

Disagreement on the amount of capital the exchange will require has prompted the inclusion of a reimbursable tranche in the capital increase.

Valmet issue 80% subscribed

By Olli Virtanen in Helsinki

THE PARTIAL privatisation of Valmet, Finland's first state-owned company, has been a qualified success, with 80.5 per cent of the shares on offer being taken up by investors.

The remaining shares will stay with Kansallis-Osake-Pankki and Postipankki, the two Finnish commercial banks that guaranteed the issue.

The metal and engineering group raised FM780m ($176m), including a premium of FM680m, in the issue, which consisted of 6.5m shares priced at FM120. The issue was subscribed by 10,000 investors, including 1,600 Valmet employees.

The state's share in the group was reduced from 100 per cent to just below 80 per cent, the maximum holding the Helsinki Stock Exchange allows any single shareholder in a listed company. Valmet plans to apply for a listing on the exchange in October.

Valmet and Kansallis attribute the failure to sell all the shares to unstable market conditions and a flood of issues in September.

INTERNATIONAL COMPANIES AND FINANCE

IEP lifts income to HK$765.3m

By Michael Marray in Hong Kong

INDUSTRIAL EQUITY Pacific (IEP), the Hong Kong listed securities investment vehicle controlled by New Zealand's Sir Ron Brierley, has reported net profits of HK$765.3m (US$98.1m) for the year to June, an increase of 82.6 per cent.

Asset sales contributed most of the profits, while the recovery in the value of the group's share portfolio made an anticipated writedown of HK$391m, announced in January, unnecessary.

Turnover more than trebled to HK$15.4bn from HK$5bn.

Sir Ron said the value of IEP's portfolio had risen more strongly than markets in general. As at November 30 there had been a deficit of HK$984m between the cost of the share portfolio and its market value but by June 30 this had turned into a HK$1.758bn surplus.

He added: "Although we were adversely affected by the October crash, we had little exposure to stocks whose worth was dependent on 'blue sky' expectations or incestuous paper shuffling."

Significant asset disposals during the year included the sale of Higbee, the US stores group, which led to a gain of around HK$500m, as well as the group's holding in Equity and Law, the UK life assurer.

Shares were also sold in Redfearn National Glass, Scottish and Newcastle Breweries, Ameron and Union Special.

Some HK$651m in goodwill was written off after the acquisition of a majority interest in Tozer Kemsley and Millbourn, the British motor trader.

The company has announced a one-for-five bonus issue. Instead of a final dividend it will pay a second interim dividend of 20 cents, allowing New Zealand investors to take advantage of tax law changes which come into effect in October. The year's total is 30 cents against 20 cents.

Coles Myer announces 1-for-8 scrip issue

By Chris Sherwell in Sydney

COLES MYER, Australia's largest retail group, yesterday announced a one-for-eight scrip issue and a sharply increased dividend payout when it reported record profits and sales for the 53 weeks to July.

The company showed a 50.2 per cent increase in net profits from operations to A$328.3m (US$260.5m), including equity-accounted earnings from associates. Retail sales reached A$12.77bn, up 12.3 per cent from the previous year's A$11.37bn. As expected, the figures confirmed Coles's position as the country's biggest revenue earner.

Directors declared a final dividend of 20 cents per share, making a total of 32 cents fully franked, compared with the previous year's 24 cents. Shares from the scrip issue will rank for the final dividend and will be free of income tax.

One significant feature of the results was an extraordinary write-off below the line amounting to A$313m, which among other things cover the goodwill arising from the purchase of Progressive Enterprises, the New Zealand retail chain.

The group received permission from the National Companies and Securities Commission not to comply with the recently-introduced accounting standard requiring the amortisation of goodwill against profit over 20 years.

Analysts also drew attention to the higher-than-expected profits from sales of non-current assets, which amounted to A$55.8m and came on top of an impressive pre-tax operating profit of A$522m, up 28 per cent.

Mr Brian Quinn, chairman and chief executive, said: "All major areas of the corporation have met or exceeded our profit expectations." In the past, the group had displayed some areas of weakness balanced by other areas of strength.

He added that the group had improved its performance at the corporate level, in areas such as funds management, taxation and overall cost control, and it was benefiting from increased retail trading hours in several states.

Apart from the Progressive acquisition, which was the group's first international expansion, Mr Quinn said highlights of the year included a continued profit recovery in the department stores sector, Coles' expansion in the discount food sector and an increased contribution to profit from the Super K mart group.

On the stock market, Coles Myer's shares finished 15 cents higher at A$10.80, on a day when shares closed generally firmer. Coles shares have reached a peak this year of A$11.35.

North Broken Hill raises net profits 75%

By Our Sydney Correspondent

NORTH Broken Hill, the Australian base metals and forest products group, yesterday reported net profits for the year to June of A$103.7m (US$82.3m), up 75 per cent from the previous A$59.0m.

On an equity-accounted basis, net earnings were A$101.9m, up 45 per cent. The results included five months' earnings from Peko-Wallsend, with which North announced a A$1bn merger last December. They came on the back of sales which rose to A$1.84bn from A$1.16bn.

Because of the merger, the group wrote off A$408m, representing goodwill on the Peko acquisition and the cost of unexercised Peko options. As a result it reported an extraordinary loss of A$371.7m.

Although North's issue of shares as part consideration for the acquisition increased the share premium reserve by A$307m, the directors said the extraordinary loss meant no final dividend would be paid. Instead they proposed to declare an additional interim dividend of 5 cents out of 1988-89 profits, payable in December. They had previously declared a fully-franked interim dividend of 4 cents.

A breakdown of operating earnings before interest and tax showed a marginally weaker performance from the mining and smelting division, which contributed A$66.6m against A$70.4m.

The forestry and paper division, on the other hand, improved its contribution to A$82.5m from A$75.5m, due to strong demand and higher prices for paper, export pulpwood and some timber products.

The Peko operations performed more strongly than the previous year, thanks in part to record iron ore production at Robe River in the Pilbara region. They contributed A$57.3m to North's profits over the five months from February.

Another A$69m came from Peko Oil and uranium producer Energy Resources of Australia, which became subsidiaries as a result of the merger. Dividend income doubled to A$15m.

Property boom in HK helps Hysan

By Our Hong Kong Correspondent

HYSAN DEVELOPMENT, a Hong Kong property development and investment group, yesterday reported net profits of HK$175.4m (US$22.5m) for the six months which ended in June, an increase of 20.6 per cent over the same period last year.

Turnover rose to HK$299.5m from a previous HK$257m.

Hysan benefited from the current boom in the Hong Kong property market, where rental levels in both the commercial and residential sectors have risen significantly this year.

All the group's existing commercial and residential properties are fully let and work is under way on several new developments in Hong Kong, in addition to a joint venture project in Shanghai.

Hysan is in the middle of a takeover bid for Paul Y Holdings, a local construction company. Its general offer to shareholders is open for acceptances until September 29.

The company also announced yesterday that it has made arrangements for its shares to be quoted in London through the Stock Exchange Automatic Quotation system.

Advance at ANI to A$74.8m

By Our Financial Staff

AUSTRALIAN National Industries (ANI), the country's leading heavy engineering group, boosted net profits by 11.5 per cent in the year to June to reach A$74.8m (US$59.3m) compared with A$67.1m.

The result, equity-accounted to include associates' contributions, came despite a dip in sales to A$1.43bn from A$1.46bn. Although the company did not break down divisional earnings, manufacturing operations were described as having produced an excellent improvement. The distribution side was also ahead in spite of difficult conditions for its vehicle franchises.

However, ANI's contracting business suffered from a "substantially worse" result at Comeng Rolling Stock, attributed largely to reduced government orders and industrial unrest in Victoria.

Overall, a reduced interest bill of A$12.4m against A$18.9m offset a rise in depreciation charges to A$32.8m from A$28.3m. The dividend for the year totals 10.2 cents a share, up from 9.3 cents.

An extraordinary charge of A$4.7m, made because of tax adjustments, compares with a A$2.2m credit last time.

Boost for Saudi Cairo

SAUDI CAIRO Bank, a troubled joint venture with Egypt's Banque du Caire, has more than quadrupled pre-provision profits for the first half of 1988 to SR8.08m ($2.15m) from SR1.91m, writes Finn Barre in Riyadh

The bank may therefore end the full year in the black for the first time in four years. Total assets rose 5.3 per cent to SR8.53bn. Saudi Cairo reported a 2.2 per cent interim rise in loans and advances to SR4.28bn and a matching increase in deposits to SR6.89bn.

Struggle for LVMH bubbling to a head

A race is on to build a leading stake in the luxury products group, writes Paul Betts

Shares in Moët Hennessy-Louis Vuitton (LVMH) have been sparkling on the Paris bourse this week as the struggle for control of France's leading champagne, cognac and luxury products group nears its long-awaited climax next week.

More than 11 per cent of the company's shares have changed hands in the last three sessions of hectic trading, which have pushed the LVMH share price to new highs and placed the group at the top of the market capitalisation league on the bourse, with a value of FFr37bn ($5.8bn).

The protagonist of the latest LVMH buying spree has, once again, been Mr Bernard Arnault, the youthful chairman of Financière Agache, who has rapidly emerged as the new strongman of the luxury products group.

With Guinness as his partner, Mr Arnault stepped into LVMH this summer, taking advantage of the rift which erupted between the Moët-Hennessy and the Louis Vuitton camps – constituting the wine and spirits and luxury products segments respectively – to build a leading shareholding position in the group.

With the approach of the special LVMH shareholders meeting in Paris next Thursday to approve a new management structure for the group, Mr Arnault and Guinness have sought during the last few days to consolidate their position.

By the end of last month, Jacques Rober, the company 60 per cent held by Mr Arnault and 40 per cent by Guinness, had accumulated 30 per cent of LVMH shares on a fully diluted basis. This had cost FFr12.1bn, of which Mr Arnault footed FFr7.3bn and Guinness FFr4.8bn.

To finance his share, Mr Arnault drew FFr4bn from his Boussac textile group and a further FFr3.3bn by a private placing of 42 per cent of the capital of his Dior holding company.

The private placing was completed on August 18, with 80 per cent taken up by French investors. These included *Crédit Lyonnais* and the Worms group, which invested about FFr500m each, and 20 per cent acquired by foreign investors, including Nippon Life which also invested FFr500m.

But during the last few days, Mr Arnault and Guinness have increased their stake further to nearly 32 per cent of the actual capital or 37.4 per cent after full dilution. The majority of the 11 per cent of LVMH equity which changed hands during the last few days has been bought by the Arnault-Guinness partnership, reinforcing Mr Arnault's position before the shareholders' meeting.

This meeting will transform the executive structure of the group by setting up a new supervisory board which will subsequently elect an executive management board.

Alain Chevalier (left) and Henry Racamier: must seek common position on strategic direction

The new structure will pave the way for Mr Arnault to enter the executive suite of the group. There he is expected to play a very active role and, if he continues to play his cards well, one day to take overall charge of the group.

Although Mr Arnault and Guinness have been the main force behind the hectic movement in LVMH shares, the Louis Vuitton camp led by Mr Henry Racamier is also understood to have been active in the market.

This camp has been seeking to consolidate its position as a significant shareholder of the group by ensuring itself a blocking minority stake.

Before the latest share purchases, the Louis Vuitton camp had about 23 per cent of the shares and about 30 per cent of the voting rights since many of its shares carry double voting rights.

The Moët-Hennessy camp led by Mr Alain Chevalier, the current LVMH chairman, has between 14 and 15 per cent of the shares and between 21 and 22 per cent of the voting rights.

After the catharsis last summer, all sides have adopted a careful conciliatory tone before next week's special meeting.

Mr Racamier, whose different strategic ideas for the management of a luxury products group provoked the rift with Mr Chevalier, has continued to say that Mr Chevalier will be chosen to head the new executive management board. For his part, Mr Arnault has also said he holds Mr Chevalier in high regard and wants him to carry on running the group.

Thus, barring any last minute *coup de théâtre*, the special meeting is expected to approve the constitution of a new 12-man supervisory board which will include four representatives from each of the three camps.

Among the new board members are expected to be Mr Anthony Tennant, chairman of Guinness. This supervisory board is expected to elect its chairman the following Monday and subsequently elect the new executive management board, which will be responsible for running the company.

The executive management board is expected to include at least four, and possibly six or seven, members. The current plan envisages Mr Chevalier as chairman with Mr Racamier, Mr Arnault and Mr Jean-Louis Masurel, LVMH's present managing director, all sitting on the executive board.

The constitution of this new top management structure will bring the curtain down on a significant new act on the LVMH saga, but it is unlikely to resolve the group's fundamental management problems.

Agiv rights to raise DM54m

By Our Financial Staff

AGIV, the West German holding company in which Berliner Handels-und Frankfurter Bank has a stake of about 50 per cent, is to issue new shares to raise DM54m ($28.8m).

Agiv said it would issue 200,000 shares at DM270 each through a one-for-nine rights issue. Shareholders would be entitled to one new stock for every nine held.

The placement, lead-managed by BHF-Bank, will be offered to the public between September 21 and October 5. The rights issue includes a 33 per cent discount to Agiv's present market share price of about DM400. Agiv is one of West Germany's largest industrial holding groups.

Jacobs Suchard to pay bonus

By William Dullforce in Geneva

JACOBS SUCHARD, the Swiss chocolate and coffee group which lost the battle to take over Rowntree, will pay its *shareholders a 10 per cent* bonus from the extraordinary profit it collected when it sold its 29.9 per cent stake in the UK confectionery company to the victor, Nestlé.

The bonus will take about *SFr30m of the SFr329m* ($334.8m) paid by Nestlé. This compares with the SFr82.5m payout – at SFr165 per bearer share and SFr33 per registered share – declared for 1987.

Yesterday, Jacobs reported extraordinary net income from the takeover battle of SFr430m for the first half of 1988, after *paying consultants' fees and* other charges.

Jacobs said earnings on its normal business were lower than the strong result achieved in the first six months of 1987. It gave no figures. Important *investments to promote new* products had contributed to the decline in net earnings.

For 1987 as a whole, the company posted a net profit of SFr265m on a turnover of SFr6.1bn.

Sales climbed by 1.1 per cent to SFr2.9bn in the first half of 1988. The group said changes in currency rates, cocoa and coffee prices combined to mask a 6 per cent increase in volume, attributable mainly to the chocolate sector.

The extraordinary income gained in the Rowntree battle would enable it to pursue its expansion programme and the restructuring of its production apparatus, called for by the advent of the European single market in 1992.

Turnover at East Asiatic well ahead

By Hilary Barnes in Copenhagen

THE East Asiatic Company, the Danish-based international trading group, increased first-half turnover from DKr7.34bn ($1.01bn) to DKr8.49bn and pre-tax profits from DKr67m to DKr151m.

Gross trading profits climbed from DKr1.69bn to DKr1.92bn and earnings after net financial items increased from DKr229m to DKr284m.

The group said exchange and interest rate uncertainties made an accurate forecast for the year impossible, but it expected that both sales and earnings would increase by more than the 13 to 14 per cent seen in the 1987 annual report.

Sales and earnings in all the group's seven divisions improved in the first half and five of the seven divisions forecast a "substantial" improvement for the year as a whole.

The only reservations were in relation to the Danish market, where sales of the graphics and informatics divisions were hit by the recession.

The group also announced the construction of a new group headquarters office building in Copenhagen's Free Port area.

Europe boost for Procordia drugs side

By Sara Webb in Stockholm

PROCORDIA, the Swedish state-controlled holding company, is merging its pharmaceuticals activities in West Germany and Spain with those of Pfrimmer, the West German family-owned drugs group which specialises in intravenous nutrition solutions.

Procordia said the deal, worth SKr350m ($54m), would strengthen the marketing, production, and research and development sides of its KabiVitrum pharmaceuticals division.

Emphasising the need for a predominantly Nordic group to build up its presence in the European market, Mr Jan Ekberg, KabiVitrum chief executive, said: "It is very important for us to be one of the leading European pharmaceutical companies."

Combined sales in West Germany and Spain will total SKr600m as a result of the deal, while KabiVitrum's sales are expected to reach SKr3bn for 1988.

According to the agreement, Procordia has bought 51 per cent of Pfrimmer's West German business and 69 per cent of its Spanish operations.

Procordia recently registered Fragmin, its new anti-thrombosis drug, in West Germany and now plans to use Pfrimmer's extensive sales force and contacts with hospitals to launch the drug in West Germany.

"This deal will make us the sixth largest pharmaceuticals company supplying hospitals in West Germany and the leading hospital supplier of nutrition and cardiovascular products in Spain," Mr Ekberg said.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

India to boost overseas funding

K.K. Sharma on the sub-continent's rising foreign exchange needs

India expects to increase borrowings from international markets by as much as 35 per cent in the current year, possibly reaching a peak Rs25bn ($1.75bn).

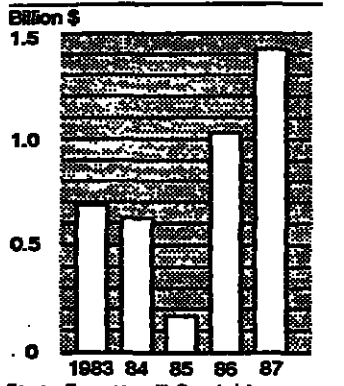
This forms part of the country's seventh five year plan which provides for borrowings of $6bn over 1985-90 period. But foreign bankers believe this figure will be exceeded.

Bankers base their expectations on India's foreign exchange needs to finance vital *imports for modernisation of industry* and to find funds for development projects. Although India plans to finance these projects mainly with internally raised resources, the Government has acknowledged that at least 10 per cent of the seventh plan's financing must come from foreign institutions, countries and banks. This includes soft term aid as well as costlier loans from the capital markets.

India is going through a severe foreign exchange shortage because of a large trade gap that is expected to stem from imports of foodgrain and cooking oil following last year's drought. The burden of other unavoidable imports like crude oil and petroleum goods is also growing because of the stagnation in internal production.

Finance Ministry officials have acknowledged that foreign borrowings have become inevitable to deal with the growing current account deficit which is estimated at roughly $5bn this year. Thus,

Indian international medium & long-term bank loans



Source: Commonwealth Secretariat

although commercial borrowings will be made to finance development projects, they will add to the foreign exchange reserves and ease the strain on the balance of payments.

Neither officials nor private sector bankers see the rise in commercial borrowings as cause for alarm, however. As one banker pointed out: "Even the World Bank feels India is under-borrowing. The bank wants it to rely more on commercial loans so that it can use its own funds for other needy countries." At present, out of the total of $6bn of soft aid that India is to get this year, nearly half will come from the World Bank.

The Indian Government, in tapping world capital markets, wants to avoid falling into a debt trap which has befallen many other developing countries in Africa and Latin America. Nevertheless, commercial borrowings are to stepped up cautiously because of the pressing needs for foreign exchange, especially as the Government has decided against going to the International Monetary Fund for the present.

Officials believe that commercial borrowings can be *increased provided India's debt* service ratio is kept at a safe level. It is debatable what level can be deemed prudent, though. The debt ratio was kept well under 20 per cent of foreign exchange inflows until four years ago. It is now running at around 25 per cent and officials consider even 30 per cent to be safe.

Bankers agree with officials that India will not face any problem in raising loans at suitable terms abroad. It has a high credit rating, earned because of a good repayment record and its relatively low debt service ratio.

Recent loans negotiated for Indian companies and financial institutions in Japan and Europe have been obtained at around a percentage point above London interbank offered rates.

A $100m loan, for example, was arranged by a group of seven Japanese banks for local clients of the World Bank's Industrial Finance Corporation arm, and a SFr80m public bond issue was launched in July by the Industrial Credit and Investment Corporation. The Industrial Development Bank of India plans to raise a total of Rs2.8bn in foreign exchange loans this year.

Among government-owned companies permitted to raise loans abroad are the Oil and Natural Gas Commission, which last week entered the Samurai bond market with a Y20bn 10-*year offering. Air India plans* commercial borrowings to finance purchase of two Boeing 747s. India is also trying to enter the US commercial paper market.

The Government's usual sources of foreign exchange, apart from exports, are soft loans from the World Bank and members of the Air India consortium, commercial loans from the capital markets and bank deposits from non-resident Indians. The last now total more than $5bn, which is roughly the level of the country's foreign exchange reserves.

Bank deposits, most of them in repatriable foreign exchange, are attracted by offering interest rates that are higher than those obtainable abroad. Officials are now debating whether the rates should be raised further in preference to seeking commercial loans.

For the time being at least, present official thinking is that commercial loans are better value.

Two houses to re-enter equity warrants sector

By Our Euromarkets Staff

MERRILL LYNCH and Kleinwort Benson are preparing to become market makers in equity warrants, the first firms to re-enter the volatile sector of the Eurobond market since last summer.

Equity warrants are effectively long-term options to buy shares, and the market is overwhelmingly dominated by Japanese companies. When issued, the warrants are usually attached to fixed-rate bonds, from which they are subsequently separated and traded.

The number of market makers – firms which quote two-way prices to other firms – had dwindled to nine from about a dozen just over a year ago as speculators retreated from an investment that few had completely understood.

Now, however, three or four more houses are said to be considering joining the market. Kleinwort, recently awarded a seat on the Tokyo stock exchange, and Merrill see the move as enhancing their Japanese presence.

Kleinwort had been a market maker but withdrew in June 1987. Two other firms, County NatWest and Shearson Lehman Brothers, withdrew early last autumn after just a few weeks, citing operational difficulties.

Separately, in an effort to increase confidence and restore liquidity to a market whose investor base has shrunk, the existing market makers have tentatively agreed to a number of reforms of market practice. Final approval of the rules may be made later today.

Most critical of these is a requirement that all houses make markets in any security whose original size is $150m or more for a year following its launch or until over 50 per cent of the issue is placed with end-investors.

Also, lead managers will be required to make markets in their own issues of any size for a year after launch, a rule followed by Eurobond market makers who are members of the Association of International Bond Dealers.

Equity warrant dealers are also considering applying as a separate group of market makers, under AIBD rules, a move that would give them some authority to discipline firms that do not follow approved market practices.

The firms are also considering rules on minimum dealing sizes.

Over the last year, stock price gyrations have left some firms with heavy losses and others with large profits from their trading activities.

Ironically, the firms' decision to re-enter the market comes at the end of an equity warrant boom. Over 95 per cent of new warrant issues are for Japanese companies, and the market is saturated.

Prices of some warrants had fallen to as low as 10 or 11 from an issue price around 20 points, before recovering in the past week. The four major Japanese firms which predominate in new issue underwriting have called an unofficial halt to to new issues.

Current gearing ratios cause warrants to lose 4.7 per cent in value for every 1 per cent drop in the price of the underlying equity.

Meanwhile, premiums – the percentage by which the underlying stock price must rise in order to make the warrant profitable to exercise – are considered too high now to attract many buyers.

Baring Securities, one of the major market makers in equity warrants, estimates that premiums would have to fall below 10 per cent in order to attract new buyers, from current levels of around 17 per cent.

● Merrill Lynch has restarted market making in sterling floating-rate notes.

Weak oil price maintains demand for dollar issues

By Our Euromarkets Staff

FALLING OIL prices and subdued retail sales data gave the markets enough of a psychological boost to prompt underwriters to launch several dollar-denominated Eurobonds yesterday.

But data showing that capacity utilisation at US factories and mines in August, at 83.7 per cent, was sufficient to undo any gains that might have *accrued to bond prices. By the* end of the day, the capacity utilisation data, showing more strains on production levels than at any time since March 1980, had pushed dollar bond prices down by about ½ point.

Still, foreign investor's appetite for dollar paper remains strong. With spreads narrowing close to levels seen in US corporate debt markets, several who have not borrowed in Europe in years stepped up to raise cash.

Seagram, the Canadian drinks distributor, issued a $150m five-year Eurobond, its first since April 1986. The issue carries a coupon of 9⅝ per cent and was priced at 101⅛ to yield 64 basis points over Treasuries at launch – a spread described as aggressive even by those co-managing the deal.

Although the name of the borrower is well known to European households, the securities carry a credit rating of A-2/A, sometimes a difficult sell to increasingly credit-conscious accounts. The deal was seen as far outside its 1⅞ per cent fees as less 1.95 per cent, although good support from the lead manager pulled it back inside.

Salomon Brothers lead managed its first straight dollar deal in over three months, bringing a $100m five-year issue for Northern Telecom, the Canadian telephone company that is 52 per cent-owned by Bell Canada. The borrower has not raised funds in Europe since November 1985.

The bonds, which carry a AA-3/A+ credit rating, carry a coupon of 9¼ per cent and were priced at 101⅝ to yield 53 basis points over Treasuries at launch. Although the bonds were seen just at their 1⅞ per cent fees, the pricing was considered agressive given the credit rating and name of the borrower.

Statoil, the Norwegian state-owned oil company, issued a seven-year $200m Eurobond via Crédit Suisse First Boston. The issue has a 9⅝ per cent coupon and was priced at 101⅛ to yield 72 basis points over Treasuries. Despite the lack of a credit rating and falling prices for North Sea oil, the securities saw strong enough demand to help them close inside the 1⅞ per cent fees at less 1.75 per cent.

Meanwhile, yesterday's two dollar Eurobonds for Finnish Export Credit and General Motors Acceptance Corporation sank well outside their 1⅞ fees to close at less 2.05 per cent. While some of the decline reflects the drop in underlying Treasuries, dealers said the securities had been given rather stingy coupons, making them a difficult sell.

No price was seen for yesterday's $100m offering of zero-coupon bonds for Eksportfinans, which had been priced to yield only 9.186 per cent to investors, a spread of 29 basis points over Treasuries at launch. While the spread is 10 to 20 basis points below that which can be earned on the borrower's interest-bearing bonds, the tax advantages to Japanese and Belgian accounts of owning zero-coupon bonds were deemed a sufficient compensation. The bonds were also aimed at those who wish to bet on a stronger dollar.

Caisse Nationale des Télécommunications issued a Ecu100m five-year issue via Crédit Commercial de France intended to be fungible with a Ecu150m deal launched in May via Credit Lyonnais. The earlier issue had been signed by managers of the deal and Crédit Lyonnais is a co-manager of the new tranche. The issue carries a coupon of 7⅜ and is priced at par.

In West Germany, domestic bonds lost up to ¼ point in light trade reflecting growing anxiety about the direction of the dollar. The Federal bond consortium will fix terms next Tuesday for a new issue for the Federal Post Office.

Eurobond prices closed mostly unchanged to a touch easier in moderate turnover. Trinkhaus & Burkhardt Finance issued a DM75m five-year Eurobond bearing a 6 per cent coupon and priced at 101⅛. Trinkhaus & Burkhardt was sole lead and does not expect the issue to trade widely.

Credito Italiano's London branch issued a Y10bn 10-year issue. The 7.8 per cent coupon is payable in Australian dollars.

INTERNATIONAL BONDS

Improvement in MTRC's commercial paper rating

By Michael Marray in Hong Kong

HONG KONG'S Mass Transit Railway Corporation (MTRC) yesterday announced that its short-term commercial paper (CP) programmes have been assigned an A1+ rating by Standard and Poor's, an improvement on the previous A1 rating given last year.

MTRC, which operates the colony's underground railway system and currently has debts totalling some HK$17.5bn, has CP programmes in Hong Kong, Europe and the US.

Mr Wilfred Newton, chairman, said S&P was expected to announce the assignment of a rating for long-term MTRC issues next Tuesday, to coincide with the signing in London of a HK$3bn dual currency medium term note programme arranged by J.P. Morgan.

The dealers for the programme are J.P. Morgan Securities, Chase Investment Bank, Chase Manhattan Asia, Goldman Sachs International, Merrill Lynch International, Schroders Asia and S.G. Warburg Securities.

Morgan Guaranty Trust Company of New York is the agent for the programme through its London office.

Norwegian option trading laws meet further delay

By Our Financial Staff

NORWAY'S Finance Ministry said yesterday that its law on options trading, which initially had been expected to clear parliament in the spring this year, was still not ready.

Norway has halted all unregulated share options and futures trading until rules for the market have been approved. Only one broker is exempted from this ban.

"Parliament first has to pass *the law, and the Finance Min*istry must produce rules for options trading. Then, players in the market must apply for a licence for options trading," Mr Jan Ove Ekeberg, a ministry official said. It was unlikely that the law would be ready this autumn, he said.

Oslo brokers, keen to start options trading, had hoped for an autumn go-ahead. Mr Ekeberg gave no reasons for the continued delays.

Mr Ekeberg said the law on options was being given high parliamentary priority. The ministry presented a framework for options trading in March which, if approved, would allow more than one clearing house, but confine trading to the Oslo bourse.

Shearson to form unit in Singapore

SHEARSON LEHMAN Hutton, the US securities house, is setting up a unit to deal in international bonds in Singapore. The unit is aimed chiefly at regional institutional clients,

Bond dealing activities for South-east Asia, Australia and New Zealand, which up to now been handled from Shearson's office in Tokyo, will now be the responsibility of Singapore

Mr Craig Anderson, the company's Tokyo-based manager for Asian institutional marketing, said that the move is designed to bring a better service to clients.

Longer hours for Traded Options Market

By Donald Maclean

THE London Traded Options Market is to extend its opening hours from November 1, to bring its closing time into line with that on the London International Financial Futures Exchange. It is to close at 4.05pm each working day, instead of the present 3.40 pm, although the 9.05am opening time will remain the same.

The market, part of the Stock Exchange, said it will consider further alterations to trading hours after monitoring trading patterns.

The move followed a survey of users, which revealed demands for the market to trade from 8am to 5.30pm. However, those surveyed could not say whether longer hours would bring greater volume or spread out current trading.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on September 15

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†94	94½	+0¼	-0¼	9.51
All Nippon Air 9⅞ 97	100	†95¼	95¾	+0¼	+0⅛	10.16
Amer. Brands 8⅞ 92	150	†98	98½	+0¼	+0⅛	9.42
A/S Eksportfinans 7⅝ 93	100	†94	94½	+0¼	+0⅞	9.03
A/S Eksportfinans 7¾ 92	150	†94¼	94¾	+0¼	+0⅜	9.20
Barc. Bk. Fin. 10¼ 89	200	†100¾	101¼	+0¼	+0⅜	9.29
B.F.C.E. 7 92	150	†93½	94	-0¼	+0¼	9.12
British Telecom 7⅝ 96	250	†90¼	90¾	+0⅛	+0½	9.35
Cal.Natl.Telecom 8½ 93	160	†98½	99	+0⅛	+0⅞	8.83
Canada 9 96	1000	*†99¾	100¼	0	+0⅜	8.98
Canadian Pac 10⅜ 93	100	†102½	103½	+0½	+0⅞	9.90
C.C.C.E 7⅛ 91	113	†94	94½	+0¼	+0⅜	9.33
C.C.C.E 9¼ 95	300	†99⅜	99⅞	-0¼	+0⅜	9.31
C.N.C.A 7¾ 91	150	*†94⅝	95⅛	0	+0½	9.11
Credit Lyonnais 9 91	200	†101⅛	101⅝	+0¼	+0⅛	8.43
Credit National 8¼ 93	200	†96⅛	96⅝	-0⅜	0	9.16
Credit National 7⅞ 92	100	†95½	96	+0⅝	+1	8.78
Credit National 7¼ 91	150	†95¾	96¼	+0¼	+0⅜	8.69
Denmark 7⅛ 92	500	†94½	95	+0¼	+0⅜	8.92
E.E.C. 7 91	100	94⅞	95⅜	+0⅛	+0⅜	8.79
E.E.C. 7¼ 93	250	93⅜	93¾	-0⅛	0	9.06
E.E.C. 8 90	350	†98¼	98¾	0	0	8.88
E.I.B. 7⅝ 93	100	94⅛	94½	+0⅛	+0½	9.03
E.I.B. 9⅜ 97	150	†100	100½	-0⅛	+0¼	9.33
Elec.De France 9 98	200	97	97⅜	+0⅛	+0⅜	9.45
Finland 7⅞ 97	200	†90½	91	+0¼	+0⅜	9.51
Finland 7½ 93	200	†93⅞	94⅜	+0¼	+0⅜	9.01
Fina.Exp.Cd. 8½ 92	200	†99¼	99¾	+0½	+0¼	8.64
Ford Motor Credit 8 91	250	†98⅝	99⅛	+0½	+0⅞	8.48
Gen Elec Credit 10¼ 00	200	†100⅜	100⅞	0	-1⅛	10.14
G.M.A.C. 8 89	250	†100⅞	101⅜	+0⅝	+0⅞	0.07
Halifax BS 9½ 93	200	†100⅛	100⅝	0	+0⅜	9.38
Hoesch 8¼ 97	100	†94¾	95¼	+0¼	+0⅜	9.10
Italy 9 90	1000	†101⅝	102⅛	+0½	+0¼	7.96
L.T.C.B of Japan 8 91	100	†98⅛	98⅝	+0¼	+0⅜	8.64
L.T.C.B. of Japan 8 97	200	90½	91	+0⅛	+0½	9.67
Mercds-Benz Cd. 8½ 95	100	†96½	97	+0⅛	+0⅜	9.17
Metropolis Tokyo 9½ 93	200	101⅝	102⅛	+0¼	+0⅜	8.93
Morgan Guaranty Tst. 7 90	150	†98⅝	99⅛	+0⅝	+1	7.69
Norway 8⅞ 93	500	99⅛	99⅝	+0¼	+0⅜	8.90
Pepsico Inc 7⅞ 93	200	*†93½	94	0	+0½	9.06
Portugal 8¼ 91	300	†99	99½	+0¼	+0⅜	8.55
Prudential Crp. 8⅞ 94	125	†98⅛	98⅝	+0½	+0⅜	9.08
Qantas Airways 10⅜ 95	140	†104⅛	104⅝	-0⅛	+0½	9.44
Saskatchewan 10⅛ 92	100	†104⅛	104⅝	-0⅛	+0⅛	9.13
State Bk S Aust 9¼ 93	100	†99⅝	100⅛	+0⅛	+0⅛	9.26
Swed Exp Cred 7⅛ 91	100	*†94⅞	94⅞	0	+0⅝	9.12
Swed Exp Cred 10 92	100	†102⅞	103⅜	+0¼	+0⅛	8.98
Sweden 7 91	250	†95⅝	96⅛	+0½	+0⅜	8.58
Sweden 7 92	250	†93⅞	94⅜	+0¼	+0⅜	9.05
Sweden 8¼ 96	200	†96⅝	97⅛	0	+0⅞	9.30
Sweden 8½ 92	200	*†98⅜	98⅞	0	+0⅜	8.92
Victorian Rep 11⅝ 92	150	106⅝	107⅛	0	+0⅛	9.23
World Bank 7 92	300	*†94¼	94¾	0	+1	9.03
World Bank 9 97	300	98	98½	0	+0⅝	9.29
Yasuda Trust Fin 8½ 93	100	96⅞	97⅜	+0⅛	+0⅞	9.32

Average price change... On day +0⅛ on week +0½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	101⅛	101⅝	+0⅛	+0⅜	5.73
Avis Fin.SVS 5⅞ 92	100	100	100½	0	-0¼	5.78
Bank of Tokyo 5¼ 93	100	99⅞	100⅜	0	+0⅛	5.71
Central BK. Turkey 7 92	200	102½	103	0	+0¼	6.21
Commerzbank o/s. 5¼ 93	300	98¼	98¾	0	+0½	5.77
Degussa Int. 6⅛ 97	200	98½	99	+0⅛	+0⅛	6.31
E.I.B 5½ 98	150	96¼	96¾	-0⅛	0	5.98
E.I.B 6 97	300	99⅞	100⅜	-0¼	-0⅛	5.99
E.I.B. 6⅛ 96	300	100⅞	101⅜	-0⅛	+0⅜	5.94
E.I.B. 6⅛ 97	400	100⅛	100⅝	0	-0⅛	6.04
E.I.B. 6⅞ 95	300	104⅞	105⅜	-0⅛	+0½	6.01
Euro.Coal & Steel 5⅞ 97	175	98⅝	99⅛	-0⅛	+0½	6.02
Eurofima 6⅛ 96	100	101⅛	101⅝	-0⅛	-0½	6.02
Elec De France 5⅝ 97	300	97⅛	97⅝	-0⅛	+0⅛	6.12
Forsmark Krtg. 5⅛ 93	200	97⅛	97⅝	0	+0⅛	5.77
I.A.D.B. 6 97	200	98⅞	99⅜	0	+0¼	6.15
Japan Dev. Bk. 5½ 95	300	97	97½	0	+0¼	5.86
Japan Finance 5⅞ 97	150	95⅞	96⅜	-0⅛	+0½	6.33
Ireland 6½ 97	300	99⅞	100⅜	+0⅛	0	6.49
Korea Dev BK 6⅝ 93	100	100⅞	101⅜	0	+0⅛	6.33
Malaysia 6⅛ 94	150	99½	100	-0⅛	0	6.30
Nat. West BK. PLC 6 98	300	96⅛	97	-0⅛	-0⅛	6.48
Nippon Telg.&Tel. 6 95	400	100	100⅛	0	-0⅛	6.08
Oesters. Kontbk. 5 93	300	97⅛	98	-0⅛	-0⅛	5.62
Portugal 5⅜ 92	150	99⅞	100½	0	+0⅛	5.67
Portugal 6⅛ 95	150	101⅞	102⅛	0	-0⅛	6.28
Privatbanken 5⅛ 93	150	96⅞	97⅛	+0⅛	+0⅛	6.09
Royal Insurance 5½ 92	300	99⅞	100⅛	+0⅛	+0⅛	5.49
Soc Cent Nuclear 7⅛ 95	150	103⅛	103⅝	+0⅛	+0⅛	6.56
Turkey 6½ 95	500	98	98½	0	+0⅛	6.83
Westlb. Finance 5 93	200	†97⅛	98	0	0	5.54
World BK. 6⅛ 97	600	101	101⅛	0	+0⅝	5.96

Average price change... On day 0 on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†101⅛	101½	+0⅛	+0⅛	4.78
Asfinag 5 03	100	†100⅛	101	+0¼	+0¼	4.93
B.F.C.E. 4⅞ 98	200	†97⅞	98	0	+0½	4.77
B.M.W.Fin.Neth. 5 13	150	†94½	94⅞	0	-0⅛	5.40
Britannia B/S. 4⅞ 94	100	†97⅛	97⅞	0	0	4.75
CIC Int. W/W 3 93	125	†101⅛	102	+0⅛	+1¼	2.80
Credit Lyonnais 4⅞ 00	100	†97½	98	+0⅛	+0½	5.01
E.I.B 4⅞ 98	150	†99½	99⅞	-0⅛	0	4.67
Fletcher Chall. 4⅞ 98	150	†96½	97	+0⅛	+0⅛	5.31
Kobe City 4⅝ 98	150	†98½	98¾	0	-0⅛	4.80
Leeds Perm. B/S. 4⅛ 93	200	†98⅞	99	+0½	+0⅛	4.40
Malaysia 5⅛ 98	100	†98½	99	-0½	+0⅛	5.41
Maxwell Comm.Crp. 5 95	150	†102	102½	0	+0⅛	4.60
Nationwide Ang.B/S. 4 93	200	†96⅛	97	+0⅛	+0¼	4.75
Nippon Telg.&Tel.4⅛ 95	200	†99½	99⅞	0	+0⅛	4.31
Oesters. Ktbk. 5 03	75	†99½	100½	+0½	+0⅛	5.00
Rep.National Bk. 4 93	150	†96	96⅛	+0⅛	-0¼	4.41
Thailand 4⅝ 95	200	†95	95½	0	+0⅛	5.47
World Bank 5 03	150	†98½	99	+0⅛	+0⅛	5.12

Average price change... On day +0⅛ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅜ 92	55	101	101¼	0	+0⅜	5.07
Belgium 4⅝ 94	45	96½	96⅞	+0⅛	+0¼	5.52
Canada 4⅞ 92	80	97⅞	98	+0¼	+0¼	5.00
Elec. De France 5⅛ 94	20	99⅛	99⅝	+0⅞	+0⅜	5.25
Ireland 5⅛ 93	30	99	99⅝	+0⅛	+0¼	5.30
Norway 5⅛ 95	50	98⅝	98⅞	+0⅛	+0½	5.35
Rep. of Italy 5⅜ 92	150	102⅛	102⅝	0	0	4.97
Sweden 4⅝ 93	50	97¼	98	+0⅛	+0⅜	5.14
World Bank 5½ 92	50	101⅞	102½	+0⅛	+0¼	4.94

Average price change... On day +0⅛ on week +0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat.BS.10⅛ 93 £	50	97½	98	0	+0⅛	10.88
Alg. Bk. Ned. 5½ 92 FL	150	97½	98⅛	0	0	6.24
Amro Bank 6¼ 92 FL	150	100⅜	101	-0⅛	+0⅛	6.06
Aust.Ind.Dev. 12⅞ 93AS	100	98⅛	98⅝	0	-0⅛	13.28
Barc. Bk. 10⅛ 97 £	250	94½	95	-0⅛	+0⅜	11.17
BP Capital 9⅞ 95 £	100	95⅝	96⅛	-0⅛	+0¼	10.91
British Airways 10 98 £	100	92⅞	93⅛	-0⅛	+0⅛	11.21
C.I.B.C.Mort.10⅞ 93 C$	100	†99	99½	0	+0½	10.93
Comm.Bk.Aust. 12⅝ 93AS	100	97	97½	0	-0⅛	13.40
Coop.Ctr.Rabo.6¼ 93 FL	100	100¼	100⅝	-0⅛	+0⅛	6.10
Coop.Ctr.Rabo.6 92 FL	200	100	100½	0	+0⅞	5.92
Denmark 7⅞ 92 ECU	100	100⅞	101⅜	+0¼	0	7.34
Dixons 11 95 £	90	†97¼	97¾	-0¼	0	11.60
Deutsche Bank 9⅞ 97 £	75	†92½	93	-0⅛	0	11.21
Deut.Bk.Aust.12⅞ 95 AS	70	99	99½	0	-0⅛	12.88
E.I.B 10⅛ 98 C$	130	†97½	98	0	+0½	10.49
E.I.B 8⅜ 93 LF	10	†100⅞	101⅜	0	0	8.25
Elec.France 10¼ 95 C$	125	†98¼	99⅛	0	+0½	10.44
Euratom 7⅞ 97 ECU	145	96½	97⅛	+0⅛	+0⅛	7.90
Eurofima 7½ 92 FL	50	†104½	105⅛	0	-0⅛	5.95
Fed.Bus.Dv.Bk.9⅞ 92 C$	75	†98¼	98⅞	0	+0½	10.22
Ford Cr.Can.10⅞ 93 C$	100	†101	101½	0	+0½	10.34
Gillette Can. 9⅞ 93 £	70	91⅞	92⅛	-0⅛	+0⅛	11.83
G.M.A.C. 9⅞ 93 C$	150	†96½	97	0	+0½	10.64
G.M.A.C. 9¼ 92 C$	75	†94	95	0	0	11.12
G.M.A.C Aus.Fin.14 90 AS	50	99⅞	100⅜	+0⅛	-0¼	13.84
Halifax BS 10⅞ 97 £	100	95	95½	0	+0¼	11.25
Imp Chem Inds 10 03 £	100	94	94⅜	-0⅛	+0⅛	10.80
Inv.Industry Int. 10 93 £	60	96	96⅞	-0⅛	+0⅜	11.09
Lloyds Bank 10⅛ 98 £	150	93⅜	93⅞	-0⅛	0	11.36
Montreal Tst.10⅞ 93 C$	100	†98⅜	99¼	0	+0½	11.00
Mtge.Bk.Den. 6⅞ 91 FL	100	100½	101	0	+0¼	6.39
Nat. West.Bk.13⅛ 92 AS	50	†98	98½	0	-0⅛	13.66
Nationwide BS 10⅛ 93 £	75	96⅛	96⅝	-0⅛	+0⅛	11.14
Ned.Midd.Bank 6 92 FL	150	99⅛	99⅝	0	0	6.15
New Zealand 9½ 93 £	100	94⅜	94⅞	-0⅛	+0¼	11.01
New Zealand 7⅞ 93 ECU	200	99⅞	100⅜	+0⅛	-0⅜	7.70
Oesters.Ktbk.13⅞ 94 AS	75	101⅜	101⅞	0	-0¼	13.20
Prudential Fin.9⅜ 07 £	150	87½	88⅛	-0⅛	+0⅛	10.93
Royal Bk.Scot.10⅝ 98 £	125	95	95½	-0⅛	0	11.50
Saskatchewan 9⅞ 91 C$	150	†98¼	99¼	0	+0½	10.27
S.D.R. 7⅛ 95 ECU	90	99⅛	99⅝	0	0	7.84
Wstd.Lb.Fin. 12½ 93 AS	50	†99	99⅝	[illegible]	-0⅛	12.67
World Bank 5⅛ 92 FL	100	99⅛	100	0	+0⅛	5.86
World Bank 13⅛ 92 AS	100	†100	100½	0	+0⅛	13.25

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.32	99.37	21/01	10.99
Belgium 91 US	0	100.53	100.63	21/02	9
Britannia 5 93 £	0⅛	99.66	99.71	10/10	10.37
Chase Manhattan Crp.91 US	0⅛	99.60	99.78	22/02	8.94
Citicorp 98 US	†0¼	97.40	97.65	30/11	8.94
EEC 3 92 DM	†0	100.87	100.97	22/02	5.63
Halifax BS 94 £	.1	99.61	99.66	9/11	11.16
Invt. in Industry 94 £	0	99.87	99.97	24/02	11.87
Leeds Perm. B/S. 94 £	0⅛	99.89	99.94	13/01	10.44
Midland Bank 01 £	.1	94.87	95.87	11/02	11.41
Milk Mkt.Brd. 5 93 £	0⅛	99.84	100.11	30/09	10
New Zealand 5 97 £	.07	100.04	100.14	18/11	11.62
New Zealand 5 01 US	0	99.93	100.03	4/02	8.62
State Bk. Nsw. 98 US	.188	100.45	100.55	13/02	8.87
United Kingdom 5 92 US	*0	100.05	100.05	7/01	7.81
Woolwich Equit.BS. 93 £	0⅛	99.59	99.64	13/10	10.44
Woolwich 5 95 £	0⅛	99.49	99.54	21/11	11.62

Average price change... On day +0.02 on week +0.07

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62	102	103	+0¼	24.90
Alco Health 6¼ 01 US	†7/86	26.25	106	108	+2	0.31
Amer. Brands 7¼ 02 US	†9/87	56.7	99½	100½	+0¼	16.59
Ashikaga Bank 2⅛ 02 US	4/87	967.	123	125	+0⅝	-4.28
Asics 5 92 DM	12/83	472.7	197⅞	199	0	6.90
CBS. Inc. 5 02 US	†4/87	200.	92¼	93¼	+1¼	11.68
Fujitsu 3 99 US	5/84	1106.	268⅞	269⅞	-0¼	-0.58
Kinki-Sogo Bk.2⅞ 03 US	4/88	1069.	126½	128¼	+0⅛	2.39
Land Secs. 6⅛ 02 £	6/87	6.72	92⅛	93⅛	0	12.35
MCA Inc 5½ 02 US	9/87	69.62	80⅝	81⅝	-0¼	27.65
Minolta Camera 2⅛ 94 DM	2/86	1004.	98⅞	100⅛	+0⅝	21.39
Mitsubishi Bk.1¼ 02 US	9/87	3157.	106¼	107¼	+0⅝	3.62
Mitsui Trust 2⅞ 01 US	10/86	1903.	118	119¼	+0¼	1.01
Next PLC 5¼ 03 £	11/87	4.3	99⅛	100⅛	0	[illegible]
Nikki Nipp.Bk.2⅞ 03 US	4/88	804.	108⅛	109⅞	+0¼	4.70
Omron Tateisi 2⅞ 02 US	4/87	1310.	208	209	-0⅛	2.44
Primerica 5½ 02 US	†4/87	66.75	66	67	+0⅛	56.41
Ranks Hovis 4⅞ 03 £	†1/88	3.5	111	112	+0⅞	1.18
Redland 7¼ 02 £	1/87	5.4	85⅛	86⅛	0	16.17
Saatchi&Saatchi 6¾ 03 £	†10/89	4.41	96½	97½	0	22.92
Texas Inst. 2¾ 02 US	†9/87	82.87	73¾	74¾	+0⅛	51.85
W.R.Grace 6¼ 02 US	9/87	42.12	80	81	+0⅛	32.98

* No information available-previous day's price

† Only one market-maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price: the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL COMPANIES AND FINANCE

Vodafone sale prospectus lifts Racal shares by 9p

By Terry Dodsworth, Industrial Editor, in London

SHARES in Racal, the UK electronics group, rose strongly yesterday following publication of a draft prospectus for the sale of its mobile telecommunications subsidiary which values the division at between £1.55bn ($2.6bn) and £1.85bn.

The support for the shares, which rose by 9p to 310p in heavy trading, was widely seen in the City as an encouraging sign for the planned flotation next month. It follows significant increases earlier in the week from the Monday morning price of 282p.

Sir Ernest Harrison, the group's chairman, described the proposed sale as the "most exciting event in the history of Racal." He brushed aside reports that recent weaknesses in the stock market might threaten the offer.

The issue, he said, had been priced "very *conservatively*," and the company was receiving substantial support from the institutions.

Racal is proposing to sell just 20 per cent of its Vodafone subsidiary, one of the two licenced operators of cellular car telephone networks in the UK. This has excited widespread interest in Europe and the US because it is the first time that a non-American mobile telephone operating company has floated shares on the market.

The main points of the Racal offer include:

- Approximately 200m ordinary shares will be offered, with 150m set aside for existing shareholders in the UK, and 50m for investors in the US and Europe. There will also be a UK public offer of approximately 14m shares, to be provided by shares not taken up in the main UK shareholder or international offers.
- The offer price will be in the range of 155p to 185p per share. This puts the company on a prospective price-earnings ratio of between 27.8 and 33.2 based on forecast earnings per share of 5.57p for the year ending March 1989. Some analysts forecast pre-tax profits of about £200m in the following year, which would put the shares on a multiple of about 20.
- Pre-tax profit is forecast at £77m in the current year to March.
- Vodafone will be re-capitalised and floated on the Stock Market debt-free.

Sir Ernest also dismissed suggestions that Racal would be forced to reshape the offer if it went ahead at the lowest proposed price. At this level, it would raise only £310m, less than the £350m which the Stock Exchange has said it would like to see the issue generate.

However, Sir Ernest, who insisted that Racal would not like to dilute its own stake by issuing more than the proposed 20 per cent in Vodafone, said that that these problems could be sorted out if necessary in discussions.

Lex, Page 22

BTR sees profits surge 31% to $368m and issues warrants

By Clay Harris in London

BTR, the UK-based industrial conglomerate, increased pre-tax profits by 31 per cent to £368m ($627m) and its earnings per share and interim dividend by 26 per cent in the six months to June 30. The strong results and a free issue of warrants lifted BTR's price 10p to 283p yesterday.

BTR's results showed underlying growth of 10 per cent in sales and 20 per cent in trading profits, excluding the effect of acquisitions, but the warrants nearly stole the show yesterday, in part because of their novelty.

The warrants, the issue of which is unusual for a UK company the size of BTR, allow holders to subscribe for shares at 285p at certain periods in 1992 and 1993. BTR shareholders will receive one warrant for every 33 shares held.

Sir Owen Green, chairman, said BTR was likely to continue to issue warrants in this way until it reached the limit of 10 per cent of issued capital imposed by the Companies Act. The warrants would act as a "rolling rights issue," raising capital over several years without depressing the share price or diluting the interest of existing shareholders.

The warrants were also intended to encourage shareholder loyalty, Sir Owen said, and would create a new non-equity instrument with a longer life than existing traded options.

BTR's return on sales at the trading level rose from 14.5 per cent to 15.5 per cent.

ACI International, the Australian industrial group acquired by BTR Nylex subsidiary in March, contributed £38m to trading profits, lifting the total from the East to £127m (£62m).

The strength of the Australian dollar largely offset the weakness of the US currency, so the net impact of exchange-rate movements was small, BTR said.

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Welsh brewer in share dealings

By Nikki Tait in London

BUCKLEY'S BREWERY, the small Welsh brewery previously controlled by Mr Peter Clowes — head of the failed Barlow Clowes empire — and his business colleague, Mr Guy Cramer, moved into share-dealing shortly after the duo took control, it emerged yesterday.

The new subsidiary, Buckley's Securities, contributed to a move by the brewery into losses in the nine-month period to end-December, according to the annual accounts. It was set up after the pair won a £29.2m ($38.9m) cash bid for Buckley's in early October 1987.

The accounts — published yesterday and containing delayed results for 1987 — show that the company overall made a pre-tax loss of £763,000 in the nine months, compared with a £1.13m profit in the previous 12 months. The share dealing subsidiary contributed a pre-tax loss of £163,000 after a £188,000 provision in relation to the value of the securities at the end of December. Since then, however, the provision has been reduced and the net loss is likely to be about half this figure.

Buckley's Securities is believed to have bought various equities — largely alpha stocks — after the October crash, with a maximum portfolio value of around £1.4m. The subsidiary is thought to have been financed by inter-company loans.

Mr Michael Willcocks, Buckley's chairman and managing director, declined to say whether the move had full board approval. Mr Cramer, who like Mr Clowes and two other colleagues resigned from the Buckley's board earlier this summer, was unavailable for comment.

Notes to the accounts disclose other unusual features. Among "other debtors" is a £272,989 loan owed by Bracken Nominees, another company connected with Mr Cramer. This has since been repaid.

The pre-tax figure is also struck after a £1m exceptional item. Of this £269,000 related to compensation payments to former directors who left in the wake of the Clowes/Cramer arrival. Another £479,000 write-off occurs on a hotel complex purchased in 1986, and a further £100,000 on a property in Bradford bought last November. Costs on a wine bar project cost another £106,000.

Operating profit from the core beer and public house business, however, were £471,000 (£1.17m in the 12 months), on sales of £8.33m (£9.79m). On the balance sheet side, borrowings at the year-end rose to £7.3m, although a series of small acquisitions since then have led to further cash outlays of around £3m. Listed investments were valued at £1.1m. Net assets are put at £16.3m.

A final complication is that the appointment of Sir Alun Talfan Davies as chairman, after the ownership change, was found technically invalid. Other board appointments have now been made, Sir Alun continues as an adviser and Mr Willcocks is the chairman.

The 53 per cent stake bought by Mr Clowes and Mr Cramer has already come under the control of merchant bank Singer & Friedlander, which plans to auction the interest.

Shares in Buckley's will return from suspension today.

Thomson deal referred

By David Churchill in London

THOMSON Travel's £75m ($127m) acquisition of rival British holiday group Horizon Holidays from the UK brewer Bass last month is to be referred to the Monopolies and Mergers Commission.

This followed a recommendation from the Office of Fair Trading that the merger posed competition issues which needed to be investigated by the commission.

The commission has been asked to determine whether the merger is in the public interest within three months.

If it decides that the deal is against the public interest, Thomson could be forced to sell Horizon to another bidder, since it bought the company unconditionally from Bass.

The referral has cast a shadow over Horizon's attempt to capture a share of the early booking market for next summer's package holidays since the travel trade is now uncertain about Horizon's future.

UK COMPANY NEWS

Bids invited as Lowndes Queensway moves to sell Hamleys

LOWNDES QUEENSWAY, retailing group, is putting Hamleys of Regent Street, the well-known toy shop, up for sale, writes Philip Coggan.

The move is part of the disposal of peripheral businesses planned by Mr James Gulliver's consortium, which took over the former Harris Queensway group earlier this year.

Harris Queensway bought Hamleys for £30m from the Burton group in 1986. But Sir Phil Harris's attempts to expand Hamleys into a chain of shops did not meet with success. Nevertheless, the store remains a tourist attraction and has a Royal Warrant as toy and sports merchant to the Queen.

Noble Grossart is acting as exclusive agent for the sale and initial bids are invited by October 3. The successful purchaser is expected to be announced by the end of October.

Inter-Continental

The deadline has now closed for bids for Grand Metropolitan's Inter-Continental hotel chain, writes Lisa Wood.

Several tenders are expected to be put in for the chain, which bears a price tag of around £1.5bn. More than 20 parties are understood to be interested. GrandMet said it would take some days to sift through the tenders.

Disposal of the hotel chain should eliminate GrandMet's borrowings and the City is now speculating that the group may make a major acquisition.

Mecca egm bid vote

Proposals for the £640m bid for Pleasurama were overwhelmingly approved at an extraordinary general meeting of shareholders in Mecca Leisure. Some 99.9 per cent of votes cast were in favour of the motion authorising Mecca to increase its share capital for the bid.

Mrs Fields in talks

The fortunes of Mrs Fields appeared poised to take another turn yesterday, when the US cookie manufacturer and retailer announced it was in talks which might lead to a minority interest being taken in the group by a non-US company or companies, writes Andrew Hill.

Mrs Fields, which is quoted on the USM and has no US share listing, said it was also discussing a possible commercial agreement with the same companies concerning its operations outside the US.

Mr Randy Fields, co-founder with his wife, Debbi, said that in order to concentrate on its combination store concept in the US the group was considering giving a third party operational control of some of overseas stores. Mrs Fields already runs a joint venture management system for its Hong Kong outlets.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Assoc Brit Ports	int	3.5†	-	2.5	-	7.5
Bellwinch	fin	2.65	Nov 11	1	3.75	1
Brit & Common	int	4†	Jan 6	3.5	-	8
British Mohair	int	1.4	Oct 28	1.4	-	7.5
BTR	int	5.3☆	Nov 21	4.2	-	8.7
Corporate Ests §	int	1.25	-	0.5	-	0.75
Descutter Bros	int	3	Oct 26	2.7	-	9.1
Epwin Group §	int	1.8	Oct 28	1.6	-	4.8
Finlay Packaging	int	0.75	Nov 2	0.75	-	4
Gerton Eng	int	1.5	Dec 1	1.25	-	5
Guinness	int	3.5	Oct 31	3	-	9.2
Hewitt (J)	int	1	Nov 2	1	-	5
Huntleigh Tech §	int	nil	-	0.5	-	0.5
Inchcape	int	2.75	Jan 3	2.125	-	6.75
Ingham (Geo)	int	1	-	1	-	3
Intereurope Tech	fin	4.4†	Oct 31	4.4	6.4	6.4
Kleinwort Dev	fin	3.75	-	3	5.75	5
London United	int	3	Oct 17	3	-	8
Magnolia Group	int	1.55	Oct 10	1.4	-	4.45
Manders (Hldgs)	int	1.8†	Nov 8	1.6*	-	5.5*
McLaughlin §	int	3	Nov 4	2.5	-	8
Merchants Trust	int	3	Oct 28	2.52	-	5.4
Neill (James)	int	3.1	-	3	-	8
Perry Group	int	2.75	-	2	-	7.3
Peters (M) Grp §	fin	2.2	Dec 7	1.9	3.7	3
Ratners	int	1.65	Nov 9	1.25	-	5
Rolls-Royce	int	2.1	-	1.75	-	5.25
Royal Dutch Pet	int	6‡	-	4.5	-	12.8
RTZ	int	4.25	-	3.2	-	11.5
Sale Tilney	int	4.5	Oct 31	4	-	10
Schroders	int	6	Oct 27	6	-	16.5
SD-Scicon	int	0.275	Nov 18	0.25	-	0.65
Shell Transport	int	21.5	-	16.5	-	46
Triefus	int	1	-	0.5	-	3
Tyndall Holdings	int	2.5	-	2	-	5
Westpool Inv Tst	fin	1.45	Nov 12	1.35	1.8	1.7

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ☆Carries scrip option. ‡Dutch currency throughout.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Accord Publications, Bedford (Wm), Breedon, Camellia Inve, Colorgraphic, Ipeco, LSW, Local London, PCT, Renwick, Rural Planning Servs, Sinirom, Yelverton Inve.

Finals- Brent Walker, GC Flooring & Furniture, Northern Ind. Imp. Tst.

FUTURE DATES

Interims-	
Addison Consultancy	Sept21
Ashley (Laura)	Sept22
Baltic	Sept22
Christies Intl	Sept27
Connells Estate Agents	Sept22
Dixons Hosf	Sept29
Hornby	Sept22
Hunting Assoc Inds	Oct19
Hunting Pet Servs	Sept27
MIL Research	Sept27
Plaxton	Oct11
Quarto	Sept20
Thurgar Bardex	Oct 3
Finals-	
Courtney, Pope	Sept30
Lloyd Thompson	Sept20
Multitone Elect	Sept22

Spirits remain main earner in slightly better-than-expected figures

Guinness moves up 21% to £183m

By Lisa Wood

GUINNESS, the stout and spirits group, yesterday reported pre-tax profits of £183m for the six months to June 30, an increase of 21 per cent on the previous £151m.

The results, coupled with optimism over the long-term trends in Guinness' activities, which include a declared 27 per cent joint stake in Moët-Hennessy Louis Vuitton (LVMH), the French cognac, champagne and luxury products group, provoked some analysts to nudge their forecasts up to around £400m.

Earnings per share, at 13.5p, showed an increase of 21 per cent and the interim dividend is lifted 17 per cent to 3.5p.

Mr Anthony Tennant, chief executive, said: "In the first half of 1988 we made considerable progress in furthering our declared strategy to build on our core business of spirits and brewing."

Sales of spirits, which include the Johnnie Walker whisky and Gordon's gin brands, made up 58 per cent of the £1.22bn turnover. Brewing accounted for 36 per cent. Last time's turnover of £1.3bn included contributions from several businesses - such as Martins The Newsagent - which have since been sold.

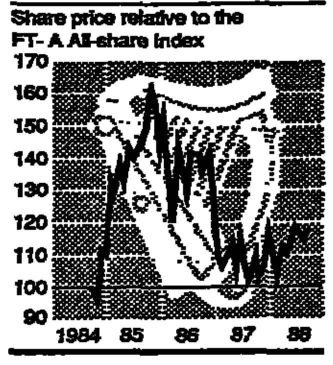
However spirits made up 82 per cent of the £207m trading profits. Margins were assisted by price increases of up to 8 per cent imposed by the company in January coupled with its strategy of promoting premium-priced products.

US profits growth at £31m (£16m) partly reflected the purchase of Schenley, a distributor of the group's brands.

Guinness said it was beginning to see the benefits of the joint venture in the US set up last August with LVMH - the first of several set up between Guinness and the French group. In August Guinness and Financière Agache, the French retailing and fashion group, announced they had a 27 per cent joint stake in LVMH.

Guinness

Share price relative to the FT- A All-share index



Guinness said trading in France, Germany, south-east Asia and Japan had been influenced by new distribution arrangements - which provoked restructuring and reorganisations - and it expected to see the benefits of these changes in the future.

Volumes for Guinness Brewing Worldwide showed increases of about 5 per cent with sales of Kaliber, the group's non-alcoholic lager, performing well. Sales of stout in the UK grew by about 4 per cent. Guinness said it was continuing its programme of innovation with two new products launched this year - canned draught Guinness and Guinness Gold, a new premium-priced lager introduced in the US. More recently it has launched Smithwicks AFB, a new non-alcoholic bitter.

Rolls-Royce edges ahead to £63m and order book is strong

ROLLS-ROYCE, the aero-engine company, yesterday reported an interim pre-tax profit of £63m, up £3m on the first half of 1987, even though operating profits declined by £2m to £148m in the 24 weeks to June 18. Turnover slipped £8m to £893m.

Earnings per share fell to 6.9p (7.9p), but the interim dividend is raised to 2.1p (1.75p).

Exchange rate changes hit the company worse in the first half than in the 1987 period, but it did not quantify the effect. Engine parts bought in the US helped to limit the exposure on the civil side. Civil engines accounted for £406m of turnover in the period and exceeded military engine sales at £361m.

At the end of the period, order books stood at £3.4bn against the end-1987 total of £2.8bn. Other military orders have come in subsequently.

Spending on research and development was reduced to £77m (£84m). Sir Francis Tombs, chairman, said the group wanted to limit R&D spending to 8 per cent of turnover.

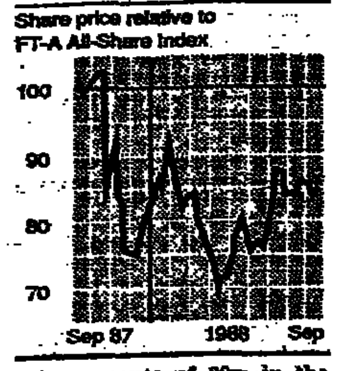
Sir Ralph Robins, managing director, said the cost of developing new aero-engines was falling for the first time. The company had been able to reduce its R&D team by about 5 per cent, while at the same time carrying out more R&D using computers.

There was an exceptional item of £14m for reorganisation and severance costs, involving the loss of 2,000 jobs in this year and 1989. This will leave the company with a workforce of 35,000 in the UK and a worldwide total of 40,000. About 1,800 jobs have been lost so far in 1988.

Rolls-Royce received net interest of £5m, compared with net payments of £2m in the 1987 period. The tax charge was unchanged at £8m.

Rolls-Royce

Share price relative to FT-A All-Share index



● COMMENT

Rolls-Royce appears to have come through the period of uncertainty created by one civil aero-engine, the International Aero Engines' V2500 civil turbofan, but it now wants to embark on another, much larger engine, its own RB211-524L, which is expected to cost a total of £300m to develop. Problems with the relatively ordinary V2500 engine, built in partnership with four other nations' engine companies, caused embarrassment last year when Rolls-Royce was privatised. The RB211-524 engine is currently being tested in the Airbus A320 and its future seems more assured. Rolls-Royce is to apply to the Department of Trade and Industry for launch aid of about £100m towards the cost of developing the engine for production. It wants two or three partners to share the engine project. Looking ahead to a full-year pre-tax total of £175m, the shares - down 3¼p to 129¼p - stand on a prospective p/e of 6.8.

High metal prices lift RTZ

By Kenneth Gooding, Mining Correspondent

SOARING METAL prices helped RTZ Corporation, natural resources and industrial group, boost net profit by 77 per cent to £199m in the first half of 1988.

Earnings per share also increased by 77 per cent to 25.6p and the interim dividend by 33 per cent to 4.25p.

The performance was better than many analysts had recently forecast, but the share price, after briefly advancing, closed 2p down at 429p.

Mr Derek Birkin, chief executive, shrugged off the City's reaction by suggesting that it was merely a reflection of dull market conditions caused by an apparent lack of investor interest in any stocks.

RTZ was "in excellent shape for whatever the future holds. We are quite clear about our strategy and we have immense financial strength," he said. About half the business could now be considered non-cyclical.

He added that the earnings improvement reflected not only significantly higher metal prices but also continuing industrial growth.

In the first half of this year the group's natural resource business contributed £155m after exploration but before other corporate charges, up 74 per cent on the £89m for the same period of 1987.

Related industrial operations contributed £61m before corporate charges, up 45 per cent on the £42m previously.

The proceeds from the disposal of RTZ Cement, RTZ Oil and Gas, Home Insulation and Thos W Ward (Roadstone) amounted to £651m, which after the purchase of MK Electric for £255m is taken into account, resulted in an extraordinary gain of £245m.

This will significantly reduce interest charges in the second half. At June 30 the group's debt-equity ratio was reduced to 10:90, compared with 24:76 at the end of last year.

Net earnings included contributions totalling £17m from businesses sold during the half-year.

Asked about RTZ's growing cash pile, Mr Birkin said the group was interested in acquisitions "only where we understand the business and can genuinely add value and justify the purchase in terms of improved earnings per share."

Although the prices of aluminium - the star performer in the first half - copper and zinc had retreated from their peaks, RTZ expects second-half averages for most metals to remain firm, albeit at levels below those of the first six months.

Mr Birkin said various factors had produced a steep change in the metals markets and the group felt prices would settle considerably above those of the early 1980s.

He deflected possible questions about RTZ's 25 per cent shareholding in London and Scottish Marine Oil and that company's proposal to sell its holding in Enterprise Oil by saying any comment would be premature.

Australian disposal by Royal Life

By Eric Short

ROYAL LIFE Holdings, the life and financial services arm of Royal Insurance, is selling its Australian life operation to Battery Group for A$35m.

Mr Alan Horsford, Royal's chief executive, stated that while the group was committed to expanding its life and financial services business internationally, it was becoming increasingly difficult to compete effectively in the Australian market.

Royal Life had just A$30m premium income last year - a market share of 0.05 per cent. The top five life groups in Australia have between them around 60 per cent of the market, while the banks are expanding into this sector.

Last month, Scottish Amicable announced the sale of its Australian life operation.

Battery is a member of the Pratt Group, a packaging company diversifying into financial services. The acquisition will complement its recently acquired Occidental Life of Australia.

Royal sees better prospects for the expansion of its life business in the US, Canada and Europe. Last October it started life operations from scratch in Holland. It will still maintain its general insurance business in Australia.

Charterhall plans rights issue to raise £9m

By Ray Bashford

CHARTERHALL, the investment company headed by Australian Mr Russell Goward, is making a one-for-five rights issue to raise £9m.

Westmex Group, which has a 49.8 per cent holding in Charterhall, is taking up its full entitlement, subscribing £4.5m at the issue price of 15p. Charterhall's shares closed at 20.75p, down 1.25p.

Directors said the funds would be used to lower borrowings and fund acquisitions. After the issue gearing would be reduced to 55 per cent.

Charterhall has a range of possible takeover targets. It holds between 8.7 per cent and 24 per cent in five listed companies. A. Goldberg, a Glasgow-based retailer in which Charterhall holds 23.7 per cent, has been the subject of recent bid speculation.

Perry accelerates 47% to £3.75m

By Fiona Thompson

PERRY GROUP, motor dealer, increased pre-tax profits by 47 per cent to £3.75m for the six months to June 30 1988. Sales were up 56 per cent at £154.28m. Earnings per share rose from 8.7p to 12.6p.

During the half year, Perry spent £4m acquiring five more dealerships - one Peugeot, one Toyota and three Rover to add to its existing two - taking its total to 24. The others comprise seven Ford dealerships, three Volvo, four Iveco Ford Truck, and one each of Jaguar, Vauxhall, and Land Rover/Range Rover. Perry concentrates on four main areas - Yorkshire and Lancashire, the Midlands, London, and the south coast.

With a 3.5 per cent share of all Ford registrations, the Ford dealerships, as in the past, contributed the bulk of profits. Perry is keen to diversify profits by widening its range of dealerships and Mr Richard Allan, chairman, said the Volvo, Jaguar and the York Rover outlets had produced particularly strong performances.

Perry has now disposed of all of its loss-making estate agency offices, for a sum in excess of £2m. A "useful" profit on the sale will be shown as an extraordinary item at the year end, said Mr Allan.

In the period, Perry sold 11,730 new cars - a 36 per cent increase on last year. Used car sales doubled from 2,573 to 5,301, and hire purchase transactions rose by 73 per cent to 5,261.

Interest charges were sharply up at £870,000 (£265,000). This included finance charges of £380,000 in respect of assets under leases. Tax took £1.38m (£960,000). An interim dividend of 2.75p (2p) was declared.

● COMMENT

All the motor distributors have had a good interim season with pretty buoyant trading conditions, and Perry's results were in line with expectations. Now that it has got rid of the estate agents and gone back to concentrating on the business it knows best, prospects should be even brighter. Mr Allan is aiming to expand his 24 UK dealerships to 40 and is looking seriously at the US, where margins are slightly better, and the move would serve to diversify away from the fluctuations of the UK market. On a full year forecast of £8m the shares, 2p off at 230p last night, are on a cheap multiple of 8.

Morgan Crucible in US expansion

By Ray Bashford

MORGAN CRUCIBLE, the industrial materials and electronics group, has moved further into the US through the acquisition of General Optronics for $7.2m (£4.3m).

The New Jersey-based company has been merged with Laser Diode, Morgan Crucible's main US electro-optics subsidiary. The enlarged company will continue to operate as Laser Diode and be will be one of the world's largest independent producers of semiconductor lasers.

The acquisition furthers the company's plan to expand the electro-optics business and technology of Morgan Crucible's electronics division.

Morgan Crucible last December purchased Insulating Products Group, a manufacturer and distributor of high temperature insulating bricks, from McDermott International of the US for $37m. Dr Bruce Farmer, the managing director, then said that he viewed the US as a low-cost manufacturing base with the potential for further investment.

Granada selling part of ER

By Philip Coggan

GRANADA GROUP is selling one of the businesses it acquired in last year's £250m takeover of Electronic Rentals. National Telecommunications, the telephone systems group which joined the main market in July, is buying TVC General Telephone for £2.3m.

TVC distributes PABXs and other systems to the UK small business sector. It also has maintenance and rental operations. Last year its operating profit was £501,000 on turnover of £8.2m.

National Telecommunications is also buying SSS, a US-based telecommunications equipment supplier, for £3.3m in shares. SSS made a trading loss of $763,000 last year but accounts show that it is now trading profitably.

Australian offshoot leads Tyndall rise

By Andrew Hill

TYNDALL HOLDINGS, international financial services group, made pre-tax profits of £7.02m in the six months to June 30, including the first half-year contribution from Clayton Robard, the Australian financial services group of which Tyndall owns 62 per cent.

Profits growth was led by Associated National Life (ANL), Clayton's life assurance arm, which made interim profits of £5m, having suffered badly in last year's stock market crash.

In the equivalent period the group as a whole made £1.92m before tax, but the figures are not strictly comparable as September's acquisition of Clayton more than doubled the UK group's market capitalisation. In the first half of 1988, about £2.46m was paid out to minority interests in the Australian group.

Tyndall also announced the purchase of Newport International, the US investment management company which it already has 20 per cent of, for a total of about £1.33m. Tyndall is also acquiring 25 per cent of Horgan Tattersall, a Canadian fund management group.

Turnover in the first half was £19.5m (£14.8m) and earnings per share were 7.1p (7.3p). An interim dividend of 2.5p (2p) has been declared.

● COMMENT

Although ANL seems to have emerged from the market storms of last October relatively unscathed, there are still doubts among observers about the performance of Clayton's Australian fund management arm. ANL's results may also have been flattered by the fact that Clayton's financial year ends in June - for complex actuarial reasons the results of life assurance companies are apparently stronger in the second half. Clayton's year-end will be brought into line with Tyndall by December. More positively, Tyndall has good asset backing and net cash in hand of £36.2m, so recovery is not out of the question, but the uncertain state of the world markets would suggest this is a long-term rather than a short-term prospect. The shares rose 2p to 122p yesterday, and forecast pre-tax profits of about £14 or £15m put them on a prospective p/e of about 8, which is fair.

UK COMPANY NEWS

B&C reports operating profits up 17% to £83m

By Clay Harris

BRITISH & Commonwealth Holdings, financial services group, increased post-interest operating profits by 16.6 per cent to £82.9m in the six months to June 30. However, amortisation of goodwill, reflecting B&C's change of accounting policy in 1987, pulled the pre-tax total down by 2.6 per cent to £63m.

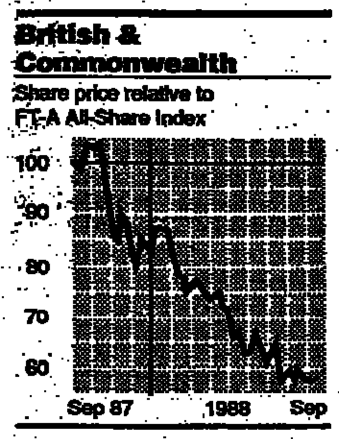
Mr John Gunn, chairman, described the performance as satisfactory considering that the period had not been easy for financial services generally. There had been a "pleasing improvement in the quality of the group's earnings".

The interim dividend is raised 14 per cent to 4p despite a decline in earnings per share.

Before amortisation, earnings fell 5.3 per cent to 12.4p or 4.1 per cent to 11.8p fully diluted. Taking into account amortisation, in which goodwill arising on acquisitions is carried in the balance sheet as an intangible asset and written off against profits over 25 years, earnings fell to 6.3p or 7.2p fully diluted.

The profit contribution from Exco's money-broking operations rose to £21.1m (£19.9m) despite a slow start to the year.

Separately, the money broker MW Marshall and the US government securities broker William Street Holdings, acquired last year as part of Mercantile House Holdings, put in more than £14m. An agreed sale of the two operations to Quadrex Securities collapsed in February. B&C said yesterday that talks about separate disposals were continuing.



Falling unit trust sales meant Gartmore, B&C's UK-based investment management arm, only broke even after a £8.9m profit in the first half of 1987. However, Oppenheimer, the US fund manager acquired with Mercantile House, contributed £4m.

Bricom, the commercial and service holding subsidiary which was sold to management at the end of June, made a final £21.8m (£17m) contribution. London Forfaiting, in which B&C reduced its holding from 85 per cent to 40 per cent when the company was floated in February, contributed £5.5m (£7.9m).

Abaco, the former professional financial services associate taken over earlier this year, accounted for £9.1m (£1.1m), banking £3m (£1.6m), property £4.6m (£400,000), development capital and investment £12.6m (£25m restated), and leasing £8m (£4.3m).

Group turnover rose by 40 per cent to £566m, and taxation increased to £28.1m (£25m). An extraordinary credit of £100.4m (£14.6m) reflected the surplus on the Bricom sale and London Forfaiting flotation, less about £48m in provisions relating to Bricom tax covenants and other reorganisation moves.

● COMMENT

The savage de-rating of B&C's shares has to end sometime, but is it over yet? We may be getting close. With pre-tax (and pre-amortisation) profits of £170m within reach for the full year, the fully diluted prospective multiple has dropped to close to 9, after another 8p fall in the share price to 214p yesterday. At some point, the underlying value of the constituent businesses – even if recorded intangibly in the balance sheet – has to arrest the decline. A matching increase in the final dividend would put the shares on a prospective yield of 5.7 per cent – another source of support on the downside. If B&C's effort to balance assets growth, through its development capital activities, with steady advances in earnings has not been fully appreciated in the City, that is largely because it has not yet been achieved. But the pieces are now in place, and sentiment is likely to take a turn for the better before B&C next reports. It is not too early for the patient, longer-term investor to have a go.

LIG shares tumble on condom problems

By Andrew Hill

SHARES OF London International Group fell 9 per cent yesterday when the condom manufacturer said that interim pre-tax profits would probably be down on last year.

Mr Alan Woltz, chairman, told the annual meeting that the uneven quality of latex supplies to the group's condom manufacturers in the US and a reduction in condom stocks by retailers who overestimated the boom in the sheath market would have an adverse effect on the results for the six months to end-September. LIG shares fell 20½p to 199p.

"It's just a hazard of the business," explained Mr Woltz. "Latex that the US company had been buying was not up to standard and resulted in significantly higher losses in the production process. We never shipped a bad product, but more condoms were lost after testing, leading to higher costs."

Mr Woltz said the US operation, which trades under the Ramses and Sheik brand-names and accounts for about 20 per cent of LIG's total condom sales, was now returning to normal.

Some new testing procedures had been introduced in an attempt to detect the sub-standard latex earlier in the process, he added.

The Durex condom operation in the UK was not affected by the uneven quality of raw materials, although Mr Woltz said destocking had struck all LIG's condom subsidiaries.

In the full year to March 31, LIG increased profits by 16 per cent to £31.5m before tax, and in the first half to September 30 1987, made pre-tax profits of £15m.

City reluctant to take a shine to interim results

Ratners almost doubled at £6.5m

By Maggie Urry

SPARKLING INTERIM figures from Ratners, jewellery retailer, met little enthusiasm from the City yesterday and the shares fell 2p to 218p. Pre-tax profits in the six months to end-July were 91.5 per cent ahead at £6.5m on sales more than doubled to £199m.

The profits included £1.2m (£756,000) from property sales and are after a £4.6m (£2.7m) interest charge.

Mr Gerald Ratner, chairman, said that most of the group's profits were traditionally made in the the Christmas period. Even so, he said, "these results clearly demonstrate that our rapid pace of growth continues."

Increasing economies of scale had allowed Ratners to price its goods even more competitively, he said, and its share of the UK market had risen by four percentage points to 23 per cent during the half year.

Gerald Ratner – rapid pace of growth continues.

UK sales were 46 per cent higher and profits, excluding property, rose from £1.9m to £3.6m. The Ratners chain saw sales growth in like-for-like stores of 17 per cent, but shop openings took that up to 44 per cent. At H Samuel, which Ratners bought in May 1986, sales rose 42 per cent, with like-for-like sales up 30 per cent. The figures benefited from the purchase of Ernest Jones in August 1987.

The US operation, built up through three acquisitions starting with Sterling in July 1987, contributed £1.7m to pre-tax profits.

Fully diluted earnings per share rose 44.5 per cent to 2.76p, and the interim dividend is up 32 per cent to 1.65p.

● COMMENT

There seems no stopping Ratners' advance, and there is still plenty of scope to expand in the US, where it will have 310 shops by the year end, even if the UK, with 830 shops by December, is getting close to the 1,000 store target. The preference for volume rather than margins works since price cuts are more than offset by sales increases, and the "sales" are now near permanent features. If consumer spending weakens Ratners can claim to be at the bottom-end of the market – the cheapest gold earrings are now 99p – and the US exposure might at last be seen as a plus. The forthcoming sale of the US consumer credit balances for about $75m (£45m) and sale and lease backs in the UK will keep gearing low, and with a prospective p/e of 9 Ratners is hardly likely to issue shares. Investors' concern has been overdone.

US expansion for Talbex

By Peter Marsh

TALBEX GROUP plans to strengthen its position in healthcare products through the acquisition of Victoreen, US medical instruments concern, from Sheller-Globe for $12.5m (£7.45m).

Victoreen, which has factories in Cleveland, Ohio, and Matamoras, Mexico, specialises in radiation measurement technology.

The purchase of Victoreen is subject to approval at an extraordinary meeting of Talbex shareholders on October 3.

Talbex intends to finance the deal by issuing 19.9m new ordinary shares at 22p each, with the balance in cash.

Victoreen has annual turnover of about $24m, some 80 per cent of which emamates from within the US. It has an order book worth $21m.

Talbex already has a small medical division which makes aerosols and nutrition products for hospitals. Other parts of the company are involved in production of household aerosols, mining and property development.

Agreed offer for Futura

Philip Coggan

MR BEVERLEY OATES, a Mancunian businessman, is making an agreed offer for Futura Holdings, the Cheshire-based footwear manufacturer.

The deal ends 53 years of involvement with the company by Mr Douglas Ward, who is resigning from the board. Mr Ward founded the group which was once known as the Ever-Rest Shoe Company.

Mr Ward and family have agreed to accept the offer on behalf of their 15.3 per cent holding. Mr Oates is also acquiring their majority stake in Lataform, a company which owns 36.1 per cent of Futura.

The offer is 640p per share in cash, valuing the group at £4.5m. Mr Oates is retaining the group's listing and his holding will not exceed 51.4 per cent. He has interests in employment agencies and property investment and intends to expand Futura's footwear business and diversify into other areas.

Futura's shares rose 105p to 600p yesterday.

Strong markets boost Inchcape

By Clare Pearson

BUOYANT ECONOMIC conditions in most of its markets helped Inchcape, former overseas trader restructured as an international services and marketing group, achieve a 25 per cent increase in pre-tax profits to £69.1m in the six months to June 30.

The company, with about half of its revenue in US dollars or dollar-related currencies, said it would have achieved a 30 per cent rise at the pre-tax level at constant exchange rates. Turnover, which came out at £1.175bn (£1.05bn), would have advanced by 15 per cent.

The Far East and South East Asia provided strong environments for a number of Inchcape's 10 diverse businesses – notably, the marketing and distribution of cars, business machines, and various consumer and industrial products.

Thriving demand around the world lifted turnover in the dominant motor vehicle distribution division (which in the UK comprises Mann Egerton and a number of Toyota dealerships) to £710.3m (£601.9m), to give operating profits of £42m (£34.1m).

However, the business machines division turned in a loss of £1m (against a £900,000 profit) at the operating level, while insurance services made £9.4m (11.4m): both these businesses had earlier been identified for investment and acquisition.

Mr George Turnbull, chairman and chief executive, said insurance services had performed creditably in an intensely difficult environment, and changes in organisational structure were underway in the Australian business machines operation.

Lower commodity prices meant tea and timber, the old core businesses, contributed a static £700,000 and £2.7m (£3.1m) respectively. Buying services and inspection and testing provided £1.6m (£700,000) and £4.5m (£2.3m).

Operating profits totalled £64m (£57.2m). To this, the UK contributed £28.4m (£24.8m), Europe £12.5m (£9.7m), the Far East £21.7m (£18.2m), and South East Asia £15.7m (£12.3m).

Helped by a lower 37 per cent tax charge, earnings per share came out 36 per cent higher at 11.2p (8.2p). The interim dividend is increased by 29 per cent to 2.75p (2.13p).

Since the end of June, £57.1m from the sale of residential properties in Tokyo has been taken into reserves.

● COMMENT

These results were the last to be announced in the elegant surrounds of the wood-panelled boardroom at Inchcape's gracious City offices, which it has sold; the company is now off to pastures new, and cheaper, in St James's. The transition, part of a policy of raising funds from property to be put to use in the operating divisions, symbolises Mr Turnbull's on-going drive to impose a coherent direction on Inchcape's sprawling businesses. Most observers are convinced the management really does know what it is doing, but these particular results could hardly be anything but good given the favourable conditions for the dominant marketing and distribution activities. Perhaps the least that can be said for Inchcape is that its formidable international portfolio provides protection in the event of a downturn in automotive sales. This year, pre-tax profits of around £143m are in sight, implying a prospective p/e of about 9 for the shares. They have had a good run recently, but are seen as a solid medium-term hold.

Wyevale Garden Centres raising £3.6m

By Clare Pearson

Wyevale Garden Centres is raising £3.6m through an issue of convertible cumulative preference shares to enable it to move quickly as acquisition opportunities arise as well as to develop existing outlets.

The 3.62m preference shares will be offered to Wyevale's ordinary shareholders on a three-for-five basis. Directors, who together with their families speak for 78 per cent of the ordinary share capital, will be taking up 600,000 of them.

The shares are convertible from 1990 at an effective conversion price of 225p per ordinary share, against yesterday's close of 207p.

USM-quoted Wyevale lifted pre-tax profits by 76 per cent to £1.06m on turnover up to £7.61m in the half-year to June 30.

Thorntons slightly up on forecast

By Philip Coggan

Thorntons, the confectionery retailer and manufacturer, yesterday announced pre-tax profits of £7.55m for the year to May 28, slightly ahead of the forecast it made at the time of its flotation in May.

At the end of the financial year, Thorntons had 177 of its own outlets, 25 Mary Morrison stores and 103 franchise units. So far this year, a further four shops and five franchise outlets have been opened.

Turnover was £52.5m (£48.3m) and earnings per share came out at 8.67p (6.69p). There was an extraordinary debit of £440,000 relating to provisions for closure of the Sheffield factory and a termination payment to Mr Peter Thornton, who left the group last year.

There is no dividend.

Alida £5m preference share issue

By Clare Pearson

Alida Holdings, the plastic packaging group, yesterday raised £5m through an issue of cumulative preference shares. The company intends to use the proceeds to accelerate growth in the run-up to 1992.

Proceeds are earmarked for the strengthening of Alida's manufacturing and distribution base in anticipation of increased competition in the UK, and more opportunities abroad, when the single European market comes into being.

The 20 to 25-year 9¾ per cent preference shares were priced by Singer & Friedlander at 100.434p, to give a gross redemption yield of 12.28 per cent, which yesterday represented a 2.4 per cent margin over the yield on the reference gilt. A further 4m preference shares have been authorised.

TRIG board critical of offer

By Nikki Tait

THE £560m offer from the British Coal Pension Funds for TR Industrial and General, Britain's second-largest investment trust, yesterday ran into sharp criticism from the TRIG board.

In response to the formal offer document, TRIG – which is managed by Touche Remnant – described the bid as "one which shows scant regard for fellow shareholders."

The offer takes the form of a 129¼p-a-share cash bid. This would, on current brokers' estimates, give shareholders around 94 per cent of the underlying net asset value of their shares.

The TRIG board notes that this fixed price offer provides protection against a fall in stock markets for TRIG shareholders while the offer is open. With this in mind, it says it cannot, at this stage, express a view as to the merits of the offer's value. It strongly advises shareholders to take no action at present.

However, the board goes on to criticise the structure of the funds' bid, in particular the potential capital gains tax liability which could arise for some shareholders.

TRIG argues that the bid places other shareholders in a position where they may feel obliged to accept the offer, in spite of the serious adverse tax consequences which they may suffer. It notes that large nationalised industry pension funds need have little regard for tax consequences in conducting their affairs.

The board also argues that there are alternative forms of consideration which would suit other TRIG shareholders better, although these could only be achieved with pension funds' consent given that they hold 36 per cent of TRIG's shares. In spite of some contact between advisers, TRIG says that the pension funds have declined to discuss any alternatives.

In response to the TRIG statement, the British Coal Pension Funds reiterated their belief that the offer was fair. They made no direct comment on the tax situation, but did point to their previous experience when bidding for another trust, Drayton Premier, where a loan note alternative attracted relatively few takers.

Sharply increased contribution from property division

AB Ports up 59% to over £21m

By Ray Bashford

ASSOCIATED BRITISH Ports, port operator and property developer, boosted pre-tax profits by 59 per cent to £21.2m during the six months to June 30, supported largely by a sharp improvement in returns from the property division.

The rapid expansion in development of surplus port property coupled with a strong contribution from Grosvenor Square Properties, acquired in January last year, pushed the division's profits up from £4.4m to £10.8m.

Property contributed £30m (£7.9m) to group turnover which totalled £113m (£87.1m). The interim dividend is being lifted from 2.2p to 3.1p.

Sir Keith Stuart, chairman of the company which was valued at £45m in 1983 when the Government sold a 51 per cent stake to the public, said the property development work in progress or near completion assured another strong return from the division during the current half.

ABP has 8,000 acres of land around its 21 ports with development of 3,000 acres possible and work underway at 12 ports.

The major development work is at Southampton and Plymouth while construction has also started on an 83 acre retail and entertainment centre at Hull.

Grosvenor Square Properties, with property investments of £500m, is increasing the company's involvement in retail, office and business developments with the London Pavillion in Piccadilly Circus the major completion during the period.

Despite severance costs of £3.3m, port services operations lifted their pre-tax return from £9.4m to £11m.

Lower exports of coal and grain, caused by last year's poorharvest, also affected profits although the majority of the company's ports performed well, Sir Keith said.

The link with P&OCL and Ben Line to run Southampton Container Terminals had increased the company's confidence in the future of operations at the port.

All of the company's South Wales ports were operating profitably and investment was continuing at Plymouth on a new passenger terminal and the expansion of coal export facilities at Ayr.

Sir Keith Stuart – majority of ports performing well.

● COMMENT

The balance between ABP's port services and property operations is unlikely to continue much beyond the current year. The latest figures provide further evidence of the potential within property via Grosvenor and surplus port land. Benefits of development work will flow into the accounts with greater force next year and accelerate thereafter. While the port service activities have been stripped back to operate on an improved economic basis, improved returns are linked to international trade conditions, which is beyond influence. In weight terms, ABP already controls 25 per cent of the cargo moving through British ports and a significant improvement on this figure is unlikely. Assuming £45m for the year, the company is on a prospective p/e of 14.9. This may appear expensive on a trading basis but may be justified on an asset basis after a property revaluation, now underway, is completed.

Bellwinch builds up 48% rise

BELLWINCH, the south of England housebuilder, yesterday reported a 48 per cent jump in pre-tax profits from £4.75m to £7.02m in the year to June 30 1988.

Mr Robert King, the chairman, said all divisions produced their expected contributions. He believed the group was now structured for the next phase of its growth and would continue to develop further divisions as opportunities became available.

Although the majority of profit was expected to arise in the second half owing to delays in receiving detailed planning consents on certain sites, a strong performance was expected in the current year.

Turnover, adjusted for a change in accounting policy, was 36 per cent higher at £42.44m (restated £31.23m). Fully diluted earnings per share rose from 10.6p to 13.7p and the board is recommending a final dividend of 2.65p for a total of 3.75p (single 1p final).

Multitude of problems combine to cut James Neill to £2.7m

By Fiona Thompson

JAMES NEILL Holdings, Britain's largest manufacturer of hand and garden tools, yesterday reported a drop in pre-tax profits from £3.82m to £2.71m for the six months to June 30 1988.

Earnings per share fell from 11.5p to 7.5p and an interim dividend of 3.1p (3.0p) was declared. The shares dropped 13p to close at 176p.

"The figures did not show the improvement we had hoped for," said Mr Peter Bullock, chief executive.

There were a number of reasons. The loss of two major contracts, to supply its Spear & Jackson garden tools to Woolworth Holdings and Wilkinson Sword, knocked about £600,000 off sales. A sweeping reorganisation of the group's manufacturing facilities, involving the introduction of sophisticated computer numerically controlled (CNC) machine tools, cost £259,000.

A consultancy exercise to improve systems and increase productivity resulted in fees totalling £628,000, and caused more disruption than anticipated. A new Britool venture to be launched next year has so far cost £250,000.

Finally, currency fluctuations affected the results by about £290,000.

On the plus side, Mr Bullock said that after implementation of the consultants' recommendations, the company expected to make cost savings of at least £750,000 in the first year, and more thereafter.

The Britool venture will involve the distribution of tools to mechanics at their places of work in competition with with Snap-On of the US.

Mr Bullock said while the second half would see an improvement, he doubted that the full year's result would match the 1987 figure. But he remained optimistic looking further ahead.

Group turnover was flat at £42.12m (£42.16m). After interest payable of £754,000 (£608,000), trading profit was virtually unchanged at £2.98m (£2.98m).

● COMMENT

There are lots of ifs surrounding James Neill at the moment. If it can get its CNC teething problems sorted out, if the consultants' recommendations prove to be as cost effective as thought, if the new products launched are successful, if the Britool venture takes off, then 1989 should be a much better year. J Neill has excellent brand names, and credit must be given for its moves to upgrade productivity and product quality. On the Britool launch, it may find that wooing mechanics away from Snap-On is harder and takes longer than expected. Analysts have downgraded the full year forecast to £6.5m, putting the shares on a prospective p/e of 10, which could include a bit of bid speculation.

SD-Scicon at £4.3m and going to plan

By Andrew Hill

SD-SCICON – the computer software group formed in April following a merger between Systems Designers and Scicon, a subsidiary of BP, the oil company – made £4.34m before tax in the six months to June 30.

The figures included a two-month contribution from Scicon and sales rose to £78m. Systems Designers returned pre-tax profits of £3.18m in the first half of 1987, on turnover of £36.7m.

Mr Philip Swinstead, chairman of the merged group, said yesterday: "Everything is going exactly as planned. The figures show what we said in April was true – there are no nasties in the cupboard at Scicon, which is working hard to change its methodology."

Overall operating margins dropped from 10 per cent to 7 per cent as a result of the acquisition and earnings per share were slightly down at 1.67p (1.7p), but Mr Swinstead said Scicon had already returned to profitability, having lost money for the past three years under BP.

He said he expected Scicon to achieve acceptable margins during 1989, enabling the group to start looking for further acquisitions, particularly in the US, where SD-Scicon has a number of niche software companies.

The merger took Systems Designers into two new European markets in France and Germany, and doubled the group's size in the UK. In the first half European profits increased from £1.94m to £2.56m and the US contributed £2.8m (£1.75m).

Mr Swinstead said he was particularly pleased with the applied software operations in the US, notably five depots measuring vehicle exhaust emissions, a legal requirement in some states.

The group is declaring an interim dividend of 0.275p (0.25p).

● COMMENT

These results are slightly meaningless given the changes undergone by the group since the beginning of the financial year and the improvements in margins still to be gained from Scicon. The shares were static yesterday at 75p. Not until next year will followers of the stock – including British Aerospace, which holds a 23 per cent stake – know whether SD's gamble on the underlying strength of the Scicon business has paid off. However, the interim statement was positive and integration and reorganisation seems to be proceeding more quickly than expected. In the shorter term, the market in SD-Scicon shares is likely to be dull, as the City waits to see whether the group is again awarded the lucrative exhaust emission contract in Maryland, US: a decision is anticipated in early October. Forecast pre-tax profits for the year of about £15m would put the shares on a prospective p/e of about 17. On a medium-term view of a year or 18 months, this looks cheap compared with SD-Scicon's competitors.

Magnolia steady

Pre-tax profits rose marginally from £563,000 to £572,000 at Magnolia Group (Mouldings) in the six months to June 30 on sales up 11 per cent from £8.62m to £9.6m.

The interim dividend is raised to 1.55p (1.4p) on earnings per 10p share of 6.38p (6.29p). The company imports and makes picture frame mouldings. Mr R Wallrock, chairman, said that following review of manufacturing activities, production was being transferred from Essex to Loughborough.

Westpool advances

Westpool Investment Trust saw pre-tax profits advance 44 per cent from 2.84m to £4.1m in the year to April 30.

Westpool controls more than 50 per cent of the equity of London Merchant Securities, the accounts of which are made up to March 31 and have not been consolidated. Therefore Westpool's 1988 figures reflect only the dividends – £3.11m (£2.97m) – received from LMS.

Earnings per share were 2.95p (2.09p) basic and 2.5p (1.78p) fully diluted. The directors have proposed to raise the final dividend to 1.45p (1.35p) for a total of 1.8p (1.7p).

Schroders' profits down but dividend maintained

By David Lascelles, Banking Editor

SCHRODERS, the City merchant banking group, suffered a fall in profits in the first half of this year. However, as is customary at Schroders, its interim results announcement yesterday gave no details.

The interim dividend is being maintained at 6p a share.

Mr George Mallinckrodt, the executive chairman, said that downward pressure on profits had come from low activity in the securities markets, notably in fund management and the lack of new issue underwriting. Unlike many merchant banks, Schroders does little securities dealing.

By contrast merger and acquisition work had grown strongly and produced an increase in profits. Schroders has recently topped the UK mergers and acquisition league tables.

Mr Mallinckrodt said that Wertheim, the Wall Street investment bank in which Schroders has a 50 per cent interest, had also seen a dip in profits in the first half of the year, also because of conditions in the securities markets.

He stressed that the comparison was with last year's first half which was one of the best on record, and he was pleased with the spread of Schroders' business and the diversity of its activities, but believed that the outlook depended heavily on developments in the US.

Manders up to £2.7m at six months

Manders (Holdings), property investor and manufacturer of paint, printing inks and decorators' requisites, reported a rise in pre-tax profits from £2.47m to £2.71m in the first half of 1988.

Of this, trading contributed £1.86m (£1.62m) and property £1.42m (£1.25m). Interest payable was up at £567,000 (£405,000). Turnover for the group, however, was slightly down at £28.96m (£29.37m). Earnings moved up 22 per cent to 6.34p (5.2p) and the interim dividend is raised to 1.8p (1.6p).

Mr R Amos, chairman, said that sales in the second half had started well and prospects for the rest of the year were encouraging.

Diversification pays off at British Mohair

By Alice Rawsthorn

DESPITE STATIC sales, British Mohair Holdings, specialist textile and industrial group, lifted pre-tax profits by 11 per cent to £2.4m in the six months to June 30.

British Mohair began the 1980s as a specialist textile group involved in the spinning and processing of mohair and alpaca. It has since broadened the base of its business – to reduce reliance on mohair prices – by diversifying into textile machinery, razor blades and paper merchanting.

Mohair now provides half of the group's sales. Mr Charles Little, managing director, said that the group would continue to expand its non-mohair interests but that the balance of the business would remain stable.

The group saw domestic sales increase modestly to £16.9m (£16.8m), but export sales slipped to £4.8m (£5m).

Turnover of British Mohair Spinning was static – reflecting the state of the world mohair market – although profits improved because of the impact of recent cost cutting.

Mr Little said that there were now signs of an upturn in demand for mohair, which may improve performance in the final quarter.

The best performers among the group's industrial interests were Stork Bros, woollen spinners, and T Mat Engineering, accoustic engineers, which both benefited from investment in new buildings and machinery.

Mr Little said that other industrial interests also fared well. The only disappointing area of activity was Jarol, hand knitting yarn spinner, which suffered from the slump in the hand knitting sector.

Jarol suffered a fall in sales during the first half. The business was still profitable, but the level of profitability had been reduced. The level of demand for hand knitting had strengthened in recent weeks, but Mr Little said that it was not yet clear whether the improvement was due to a seasonal quirk or to a genuine recovery in the market.

Earnings per share increased to 11.63p (10.89p). The interim dividend is unchanged at 1.4p.

Michael Peters up 83% but warns of slowdown

MICHAEL PETERS Group, USM-quoted international design and communications consultancy, achieved an 83 per cent jump in pre-tax profits for the year to June 30. Turnover was ahead by 88 per cent from £11.99m to £22.53m and the taxable result was £2.13m compared with £1.16m.

A final dividend of 2.2p (1.8p) is recommended for an increased 3.7p (3p) total. Earnings per share moved up from 10.07p to 14.14p.

Mr Michael Peters, chairman, said that it would be unrealistic not to expect a restriction on growth in profitability in the short-term due to the impact of long-term development plans and a downturn in the department store business in the US. Nevertheless, he remained confident about the future. The group's companies were experiencing strong demand in the UK and Europe and high growth in those markets was expected.

Tax took £818,000 (£427,000) and minorities £25,000 (£24,000).

Epwin downturn

Epwin Group saw pre-tax profits fall from £902,000 to £604,000 in the six months to June 30 1988. This came from turnover of £16.62m, up 24 per cent from £13.44m last time. Earnings per 10p share fell from 4.9p to 2.9p.

The company, which manufactures uPVC replacement windows, is quoted on the USM. It is maintaining the interim dividend at 1.6p. The chairman said a bad debt provision of £160,000 had been made relating to one customer.

Corp Estates soars

Corporate Estates Properties, USM quoted property developer, lifted pre-tax profits from £322,989 to £1.19m in the first half of 1988, on turnover up more than eight-fold to £20.9m, against £2.6m.

Fully diluted earnings per share were 2.33p (0.9p) after tax of £398,400 (£113,000). The interim dividend is hoisted to 1.25p (0.8p) - last year's final was 0.45p.

London Utd profits slip

LONDON United Investments, insurance holding company, reported a fall in pre-tax profits from £5.33m to £4.17m in the first half of 1988.

Mr C R Driver, chairman, said results had been hit by group overheads, inflated by the interest charged on the bank loan used to capitalise the First Reinsurance Company of Hartford. Also exchange rate fluctuations resulted in less commission income and a reduction of brokerage suffered by R L Jarrett (Holdings), due to the defection of production staff, meant it sustained a loss.

The chairman said the underwriting cycle had, again turned, premium rates had been cut materially and US market competition had increased in spite of the rate cutting. It was possible that the present downturn might be of short durationand while he felt cautious for the present, he was optimistic for the future.

First-half turnover grew £6.67m to £63.28m. Tax charge was £1.61m (£2.06m) and earnings per share 4.42p (5.9p). The interim dividend is maintained at 3p.

Geo Ingham ahead

George Ingham and Co, worsted spinner, has reported pre-tax profits of £215,000 for the six months to June 30 on sales ahead 43 per cent to £3.68m. This compared with £193,000 in the previous first half on sales of £2.57m.

Earnings per 10p share were 6.93p (7.75p) on a net basis and on a nil distribution basis 6.93p (6.21p). The interim dividend remains 1p.

Sale Tilney down slightly in first half

As foreshadowed last month, Sale Tilney turned in marginally lower interim results, reflecting the effect of the crash on its financial services operations.

Pre-tax profits in the six months to May 31 slipped from £2.22m to £2.16m and directors warned that the full year figure would be slightly less than previously anticipated.

While the financial services side did not match the rate of profit achieved before last October's crash, it had performed with credit in flat markets, made more difficult by the confusions and burdens caused by the Financial Services Act, directors said.

Steps had been taken to cut costs and broaden the range of services. Elsewhere, the food and industrial divisions had a successful half year while the insurance side as a whole was performing well in difficult markets. The directors were encouraged by prospects of the recent acquisition, Spraybake.

First-half group turnover was £37.21m (£42.38m). Earnings per share came out at 5.7p (7p) and the interim dividend is 4.5p (4p).

Shell evens out dividends with 30% interim rise

THE SHELL group is evening out the annual distribution of its dividends.

Shell Transport and Trading and Royal Dutch/Shell, the UK and Dutch identities respectively, yesterday announced increases of more than 30 per cent in interim payments for 1988, but said the finals would be lower than those paid in 1987.

Shell Transport is to pay 21.5p (16.5p) on first-half earnings per share of 49.1p (45.9p).

At June 30, net assets per share were 934.6p (927.6p). It paid a 42p final for 1987. Its shares rose 19p to 1014p yesterday.

Royal Dutch is to pay Fl 6 (Fl 4.5) on first-half earnings of Fl 11.86 (Fl 10.4). Net assets per share were Fl 202.43 (Fl 189.64). It paid an FL 8.3p final for 1987.

Shell Transport plans a two-for-one scrip issue; Royal Dutch is to split each of its Fl 10 shares into two Fl 5 shares.

Aberdeen Fund Managers acquisition

Aberdeen Fund Managers, the investment management group, is acquiring Certa, a privately-owned fund management business for an undisclosed sum. Certa, which was set up in the early eighties, has around £10m under management – of which about 12 per cent is accounted for by Multitrust, a listed investment trust which was formed in early 1987.

Aberdeen, which recently acquired the Atlanta unit trusts from Restwood and the investment management division of Baltic, manages some £150m. Certa will operate as a division of Aberdeen Fund Managers and individual management of Multitrust will not be affected.

BMP in two purchases

BOASE MASSIMI Pollitt, advertising agency, which recently agreed a merger with Davidson Pearce, has acquired the Merchandising Group for an initial payment of £1.5m. It has also taken a 37.5 per cent stake in Goodby Berlin and Silverstein, San Francisco-based agency.

Merchandising is a field merchandising and contract sales company which made pre-tax profits of £222,000 in 1987 on turnover of £4.2m. Further payments of up to £2.2m may be made, depending on future performance.

BMP paid $1.52m (£897,000) for its initial stake in GBS and has an option to acquire the remainder. GBS made a pre-tax loss of $87,000 in 1987 but the current trading performance indicates a profit for 1988 of $300,000.

BMP also said that current trading was encouraging with more than £30m of new billings achieved in the last week.

Finlay Packaging

Taxable profits of Finlay Packaging, Belfast-based colour printer, increased by just 5 per cent to £563,000, on turnover up from £4.51m to £4.91m.

Earnings per 5p share increased to 4.26p (4.06p). The interim dividend is maintained at 0.75p.

Candover expansion

Candover Investments, investment company with interests in management buy-outs, reported a 23 per cent increase in net assets from £25.44m (352p per share) to £31.34m (432p) at the end of the half-year to June 30.

Pre-tax profits moved up from £474,000 to £690,000 and, after tax for the group and its associates of £244,000 (£170,000), earnings rose to 6.16p (4.25p) per share. The interim dividend is lifted 17 per cent to 3.5p (3p).

Equity & General

Equity & General, financial services and motor distribution group, lifted pre-tax profit 28 per cent from £434,000 to £557,000 in the first half of 1988. Turnover increased from £13.47m to £15.56m.

After tax of £139,000 (£112,000), earnings worked through at 1.79p (1.38p) per 5p share. The interim dividend is raised to 0.5p (0.4p).

DDT profit falls

The continuing competitive market and significant loss at its hardware sales company resulted in lower profits at DDT Group in the year to March 31 1988. The pre-tax figure of £366,874 compared with £590,497 previously.

Turnover of the group, which maintains and distributes equipment for computers, rose by 5 per cent from £6.8m to £7.28m. An unchanged final dividend of 1.2p is proposed on earnings per 5p share of 2.96p (5.64p).

Memory Computer

Memory Computer, USM-quoted computer software and systems group based in Dublin, announced pre-tax profits almost halved at IR£313,000 (£268,000) against £610,000, for the year to June 30. Turnover was £12.93m (£9.13m), and fully diluted earnings were 0.54p (1.5p).

McLaughlin & Harvey up 20%

McLaughlin & Harvey, USM-quoted builder and civil engineer, reported pre-tax profits of £806,000 for the first half of 1988, up 20 per cent from £673,000 last time.

Turnover rose 74 per cent from £25.12m to £43.78m and after tax of £302,000 (£218,000), earnings per share worked through at 12.5p (11.2p). The interim dividend is raised to 3p (2.5p).

Mr Charles Denny, chairman, said trading conditions in all divisions continued to be encouraging and turnover had been boosted by the start of a number of larger contracts.

Drop in profits for Intereurope

Intereurope Technology Services, involved in technical documentation, suffered a fall in pre-tax profits from £1.8m to £545,000 in the year to June 30.

The taxable figure was struck on turnover which slipped to £11.59m (£11.9m). The tax charge was lower at £224,000 (£638,000) and earnings per 20p share fell sharply to 6.31p (23.26p). The directors have proposed to maintain the final dividend at 4.4p to make an unchanged total of 6.4p.

Operating efficiency was now showing signs of improvement following action taken in the second half.

Garton rises 65%

Garton Engineering, West Midlands-based components and fasteners group, revealed a 65 per cent expansion to £561,000 in taxable profits for the six months to end-June.

Turnover rose 38 per cent from £7.49m to £10.34m. Earnings per 10p share worked through at 9.34p, up from 6.54p last time, and the interim dividend is set at 1.5p (1.25p).

Triefus at £1m

A strong first half of 1988 at Triefus, supplier of diamonds for engineering products and drilling equipment, saw pre-tax profits rise 90 per cent from £535,000 to £1.02m. Turnover rose from £12.83m to £15.14m. The interim dividend is increased from 0.5p to 2p.

Earnings came out at 7.37p (3.26p). The directors said UK profitability had increased substantially. In Australia the manufacturing and mining companies had their best ever January to June.

Public inquiry for Manchester Ship plans

By Ian Hamilton Fazey, Northern Correspondent

THE PROTRACTED battle for control of the Manchester Ship Canal Company took yet another turn after minority shareholders in effect forced a public inquiry into plans that would restructure the board and give Mr John Whittaker, the property developer, full boardroom control.

Because the restructuring would involve a Parliamentary order under the Harbours Act, the objections will result in a public inquiry, whatever the result of an extraordinary meeting on September 29, which has been called to approve the changes.

Mr Whittaker has enough votes to win at the meeting.

The changes are part of a deal Mr Whittaker has made with Manchester City Council, which has a constitutional right to a boardroom majority of one, arising from the council rescuing the company from financial collapse in 1904.

Under the deal the company would repay the council £7m it owes in exchange for the number of city councillor directors being reduced from 11 to one. The company and council would also form a joint property development company that would guarantee the city another £3m through projects run by Mr Whittaker in Manchester over the next three years.

The total sum represents the city's price for getting out of Mr Whittaker's way. The minority shareholders were hoping that the city councillor directors – by acting as independents in the interests of all shareholders – would act as a possible brake or block on Mr Whittaker's plans, if the minority shareholders did not like them.

Mr Whittaker controls the Ship Canal through Great Hey Developments, his private company. This took over the shareholding from Highams, another private company, when he sold its industrial textiles business and trading name earlier this year.

Highams was the vehicle for his bitterly contested takeover bid for Canal, which ended last year with his taking control through acquiring the vast bulk of the canal's preference shares but a minority of the ordinary shares. There are 4m of each type but they carry equal voting rights, in spite of a large disparity in value.

Last month Great Hey tried to buy out the remaining ordinary shareholders but was rebuffed. The minority believes the shares could be worth up to three times the price offered if the company gets planning permission for a huge retail complex on 300 acres of virgin land abutting both canal and the north-west's comprehensive motorway network.

Coloroll moving into furniture

By Alice Rawsthorn

COLOROLL, the ambitious home products group, is diversifying into furniture by buying the William Barrett Group, a private company, for £14.9m in shares and cash.

Barrett is composed of five companies making upholstered furniture. The companies, all based in the south Midlands, have a workforce of about 600 people. In its last financial year Barrett made pre-tax profits of £1.9m on sales of £24m.

Coloroll, which is committed to building up a broadly-based group within the home products field, has expanded rapidly by acquisition in the past three years. In June it staged its largest acquisition to date after a bitter bid battle for control of the John Crowther carpets group. It has been considering diversification into furniture for the past two years.

The cost of entry to upholstered furniture is comparatively low given that the production process is highly labour-intensive with a low level of automation. Traditionally the £700m industry has been divided between hundreds of small family firms. But three years ago Hillsdown Holdings emerged as a powerful player with the acquisition of Christie Tyler.

Mr Jeremy Scholes, group development director, said that Coloroll was attracted to upholstered furniture as "a very, very fragmented market with few strong players".

Coloroll is paying £14.9m for Barrett in a deal composed of £7.16m in variable rate unsecured loan notes, £7.16m in shares and £600,000 in cash.

Once the acquisition is completed Coloroll will conduct a review of the business to finalise its strategy. Mr Scholes said that it intends to introduce more modern designs to boost sales by building the customer base and to improve efficiency by automating part of the production process. It also plans to introduce a range of furniture under the Coloroll name.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling steady on mixed data

Sterling was unaffected by yesterday's batch of economic data, and finished little changed on the day against most leading currencies.

News of a smaller than expected rise of 0.2 p.c. in July unit labour costs and a lower than forecast £2.9bn current account deficit in the second quarter, was countered by a sharp rise to 9 p.c. in July's average earnings.

The pound drew support from higher interest rates - the latter moving defensively firmer ahead of today's release of August retail prices.

Evidence that the UK economy is still growing strongly, despite the steady rise in interest rates, led some traders to suggest that a further rise in base rates was likely - sooner rather than later.

Sterling's exchange rate index finished at 75.4 unchanged from the opening and Wednesday's close. Against the dollar, the pound rose to $1.6800 from $1.6750 and was also higher against the D-Mark at DM3.1500 from DM3.1475. The DM3.15 level is regarded as a significant resistance point, but renewed upward pressure on interest rates could see this broken.

The pound was weaker against the yen at Y224 from Y225.50, but improved elsewhere to SFr2.6550 from SFr2.65 and FFr10.7050 compared with FFr10.7025.

The dollar finished little changed from its weaker opening, failing to attract any follow through demand, after better than expected July trade figures. Sentiment was influenced by the threat of central bank intervention, after the US Federal Reserve Board had sold dollars in New York, late on Wednesday.

Sentiment was further influenced by US retail sales figures for August, which showed a 0.2 p.c. decline, against expectations of a 0.3 p.c. increase, and a slow down in capacity utilisation. The argument ran that the lower figures would ease any upward pressure on interest rates and defer a possible rise in interest rates. Early trading had been subdued, with few guidelines emerging from the Far East, since Tokyo was closed for a national holiday.

The dollar closed at DM1.8745, down from DM1.8790 and Y133.60 compared with Y134.60. Elsewhere it finished at SFr1.5800 from SFr1.5835 and FFr6.3725 compared with FFr6.3900. On Bank of England figures, the dollar's exchange rate index was unchanged at 99.6.

The D-Mark continued to lose ground against the yen. Having slipped below Y72.00 on Wednesday, the D-Mark was trading at Y71.27 compared with Y71.63 at the previous close. Dealers expect the downward pressure to continue, with Y71.00 seen as the next significant support level.

Elsewhere the D-Mark showed little overall change. It was however, slightly firmer against the French franc, in early trading, reflecting a slightly softer tone to French interest rates, and was quoted at FFr3.4025, up from FFr3.4000 on Wednesday, but slipped back towards the close to finish unchanged from its overnight level.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sept.15	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4874	+2.42	+1.03	±1.5344
Danish Krone	7.85212	7.95524	+1.31	-0.08	±1.6404
German D-Mark	2.05853	2.07309	+0.71	-0.68	±1.0981
French Franc	6.90403	7.05161	+2.14	+0.75	±1.3674
Dutch Guilder	2.31943	2.33937	+0.86	-0.53	±1.5012
Irish Punt	0.768411	0.772597	+0.54	-0.85	±1.6684
Italian Lira	1483.58	1547.50	+4.31	+3.46	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Sept.15	Latest	Previous Close
£ Spot	1.6780-1.6790	1.6765-1.6775
1 month	0.48-0.47pm	0.45-0.44pm
3 months	1.38-1.36pm	1.39-1.37pm
12 months	5.30-5.20pm	5.12-5.07pm

Forward premiums and discounts apply to the US dollar.

POUND SPOT- FORWARD AGAINST THE POUND

Sept.15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6735-1.6805	1.6795-1.6805	0.49-0.46cpm	3.39	1.59-1.54pm	3.73
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.61
Netherlands	3.54½-3.55½	3.54½-3.55½	1¾-1⅝cpm	[illegible]	3⅝-3⅜pm	6.20
Belgium	65.75-66.15	65.95-66.05	27-19cpm	4.18	79-68pm	4.45
Denmark	12.06¾-12.11¼	12.10¼-12.11¼	4-2¾orepm	3.35	11¾-10¾pm	3.61
Ireland	1.1680-1.1750	1.1715-1.1725	0.42-0.37ppm	4.04	1.35-1.22pm	4.39
W. Germany	3.14½-3.15½	3.14½-3.15½	1⅞-1⅝pfpm	6.19	5⅝-5⅜pm	6.98
Portugal	258.7-259.85	258.85-259.85	19-60cdis	-1.83	36-130dis	-1.28
Spain	210.0-210.50	210.20-210.50	28-8cpm	1.03	82-62pm	1.37
Italy	2345-2351¼	2346½-2347½	1-4liredis	-1.28	3pm-2dis	0.09
Norway	11.57-11.65½	11.64½-11.65½	1⅜-2¼oredis	-1.74	3½-4⅞dis	-1.46
France	10.69-10.71¼	10.70-10.71	3¼-2¾cpm	3.50	10⅝-9⅞pm	3.83
Sweden	10.8-10.88¼	10.87¼-10.88¼	1¼-⅝orepm	1.10	4⅞-3⅝pm	1.56
Japan	224-225¼	224-225	1¼-1⅛ypm	6.35	4-3⅞pm	6.57
Austria	22.09-22.15	22.11-22.15	12-11¼gropm	6.27	36¼-33¾pm	6.32
Switzerland	2.65-2.66	2.65-2.66	1⅞-1⅝cpm	7.91	3⅞-3⅜pm	4.99

Belgian rate is convertible francs. Financial franc 66.80-66.90. Six-month forward dollar 2.98-2.93cpm 12 months 5.27-5.17cpm

STERLING INDEX

		Sept.15	Previous
8.30	am	75.4	75.5
9.00	am	75.4	75.5
10.00	am	75.5	75.5
11.00	am	75.4	75.5
Noon		75.4	75.5
1.00	pm	75.5	75.6
2.00	pm	75.5	75.5
3.00	pm	75.4	75.4
4.00	pm	75.4	75.4

CURRENCY RATES

Sept.15	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.768326	0.658576
U.S Dollar	[illegible]	1.29947	1.10536
Canadian $	[illegible]	1.58860	1.36262
Austrian Sch.	4	16.9360	14.5796
Belgian Franc	7	50.6371	43.4874
Danish Krone	7½	9.25957	7.95524
Deutsche Mark	3½	2.40961	2.07309
Neth Guilder	4	2.72304	2.33937
French Franc	9½	8.21785	7.05161
Italian Lira	12½	1799.21	1547.50
Japanese Yen	2½	173.479	148.117
Norway Krone	8	8.92606	7.64961
Spanish Peseta	-	161.116	138.424
Swedish Krona	8½	8.33220	7.14722
Swiss Franc	2½	2.02847	1.74922
Greek Drach.	20½	195.310	167.881
Irish Punt	-	N/A	0.772597

*All SDR rates are for Sept.14

CURRENCY MOVEMENTS

Sept.15	Bank of England Index	Morgan** Guaranty Changes %
Sterling	75.4	-17.0
U.S Dollar	99.6	-8.5
Canadian Dollar	84.5	-2.9
Austrian Schilling	138.9	+9.9
Belgian Franc	97.7	-5.6
Danish Krone	88.8	-0.0
Deutsche Mark	144.0	+20.6
Swiss Franc	165.0	+19.4
Guilder	132.4	+12.9
French Franc	68.6	-14.5
Lira	44.8	-21.4
Yen	240.3	+76.8

Morgan Guaranty changes: average 1980-1982=100 Bank of England Index (Base Average 1975=100) **Rates are for Sept.14.

OTHER CURRENCIES

Sept.15	£	$
Argentina	20.0065-20.1455	11.9200-12.00
Australia	2.1020-2.1050	1.2525-1.25[illegible]
Brazil	536.60-579.60	319.75-321
Finland	7.4420-7.4550	4.4390-4.44
Greece	252.55-257.10	146.60-153
Hong Kong	13.0995-13.1155	7.8090-7.8[illegible]
Iran	120.00*	70.30*
Korea(Sth)	1203.90-1213.35	717.00-72[illegible]
Kuwait	0.48100-0.48110	0.28680-0.2[illegible]
Luxembourg	65.95-66.05	39.25-35
Malaysia	4.4565-4.4680	2.6580-2.[illegible]
Mexico	3823.40-3881.10	2278.00-[illegible]
N. Zealand	[illegible]	[illegible]
Saudi Ar.	[illegible]	[illegible]
Singapore	[illegible]	[illegible]
S. Af. (Cm)	[illegible]	[illegible]
S. Af. (Fn)	[illegible]	[illegible]
Taiwan	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

*Selling rate

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Sept.15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6735-1.6805	1.6795-1.6805	0.49-0.46cpm	3.39	1.59-1.54pm	3.73
Ireland†	1.4285-1.4330	1.4320-1.4330	0.15-0.19cdis	-1.43	0.36-0.46dis	-1.15
Canada	1.2215-1.2345	1.2230-1.2240	0.19-0.23cdis	-2.06	0.62-0.69dis	-2.14
Netherlands	2.1100-2.1185	2.1125-2.1135	0.46-0.44cpm	2.55	1.43-1.39pm	2.66
Belgium	39.25-39.40	39.25-39.35	4.00-2.00cpm	0.92	10.50-6.50pm	0.86
Denmark	7.19-7.21	7.20½-7.21	0.35pm-0.15orepm	0.17	0.35pm-0.15pm	0.06
W. Germany	1.8720-1.8785	1.8740-1.8750	0.51-0.48pfpm	4.41	1.51-1.46pm	3.17
Portugal	154¼-155	154½-154¾	55-75cdis	-5.04	165-215dis	-4.91
Spain	125.10-125.45	125.30-125.40	20-30cdis	-2.39	65-75dis	-2.23
Italy	1395-1401	1396¾-1397¼	4.70-5.70liredis	-4.46	11.30-13.30dis	-3.52
Norway	6.90-6.93¾	6.93¼-6.93¾	2.60-2.95oredis	-4.81	8.55-8.95dis	-5.05
France	6.37-6.38½	6.37-6.37½	0.32-0.25cpm	0.54	0.65-0.37cpm	0.32
Sweden	6.45¾-6.47¾	6.47¼-6.47¾	1.00-1.20oredis	-1.98	3.05-3.45dis	-1.95
Japan	133.55-134.20	133.55-133.65	0.37-0.34ypm	3.18	1.12-1.09pm	3.30
Austria	13.17-13.20	13.18¼-13.18¾	3.10-2.80gropm	2.68	9.20-8.20pm	2.64
Switzerland	1.5775-1.5860	1.5795-1.5805	0.65-0.62cpm	4.82	1.88-1.83pm	4.69

†UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.75-39.85.

EURO-CURRENCY INTEREST RATES

Sept.15	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	11½-11¼	11½-11¼	11¾-11⅝	12⅛-12⅛	12⅞-12⅜	12⅞-12¼
U.S. Dollar	8¼-8	8⅛-8	8¼-8⅛	8⅝-8⅜	8⅞-8⅞	8¾-8⅝
Can. Dollar	9⅞-9⅝	9⅞-9⅝	10⅛-9⅞	10⅜-10⅛	10⅜-10½	10⅞-10⅝
D. Guilder	5⅞-5⅝	5⅛-5⅞	5⅝-5⅝	5⅝-5⅝	5⅝-5⅝	5¾-5⅝
Sw. Franc	2⅞-2⅝	3-2⅞	3⅝-3⅜	3⅞-3⅜	3⅞-3⅜	4-3⅞
Deutschmark	5-4⅞	4⅞-4⅝	4⅞-4⅝	5-4⅞	5⅝-5⅜	5⅞-5⅝
Fr. Franc	7¼-7⅛	7⅛-7⅛	7⅛-7⅛	7⅞-7⅞	8⅛-8⅛	8⅞-8⅝
Italian Lira	12-10	13½-11½	12⅝-12¼	12-11½	11⅝-11⅛	11⅝-11⅛
B. Fr. (Fin)	7⅛-7⅛	7⅝-7⅛	7⅞-7⅛	7⅞-7⅞	7⅞-7½	7⅞-7⅝
B. Fr. (Con.)	7⅛-7⅛	7⅛-7	7⅞-7⅛	7⅞-7⅞	7⅝-7⅞	8-7⅝
Yen	4⅝-4⅝	4⅞-4⅝	5⅛-5⅛	5⅛-4⅞	5⅛-4⅞	5⅝-4⅞
D. Krone	7⅝-7⅝	8⅛-7⅞	8⅞-8⅝	8⅝-8⅛	8⅞-8⅞	9-8⅝
Asian $Sing	8⅞-8⅛	8⅛-8⅛	8⅞-8⅞	8⅞-8⅛	8⅞-8⅞	8⅞-8⅞

Long term Eurodollars: two years 9⅛-8⅞ per cent; three years 9⅜-9⅛ per cent; four years 9½-9¼ per cent; five years 9⅝-9⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sept.15	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.680	3.150	224.5	10.71	2.655	3.550	2347	2.052	66.00
$	0.595	1	1.875	133.6	6.375	1.580	2.113	1397	1.221	39.29
DM	0.317	0.533	1	71.27	3.400	0.843	1.127	745.1	0.651	20.95
YEN	4.454	7.483	14.03	1000.	47.71	11.83	15.81	10454	9.140	294.0
F Fr.	0.934	1.569	2.941	209.6	10.	2.479	3.315	2191	1.916	61.62
S Fr.	0.377	0.633	1.186	84.56	4.034	1	1.337	884.0	0.773	24.86
H Fl.	0.282	0.473	0.887	63.24	3.017	0.748	1	661.1	0.578	18.59
Lira	0.426	0.716	1.342	95.65	4.563	1.131	1.513	1000.	0.874	28.12
C $	0.487	0.819	1.535	109.4	5.219	1.294	1.730	1144	1	32.16
B Fr.	1.515	2.545	4.773	340.2	16.23	4.023	5.379	3556	3.109	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

UK rates firmer in nervous trade

INTEREST RATES finished on a firmer note in London yesterday, as traders moved their concern ahead of today's release of August inflation figures. The sharp rise in borrowing costs, highlighted by an increase in mortgage rates, is expected to push the monthly increase up to around 1 p.c.

The key three-month interbank rate was higher at 12⅜-12¼ p.c. compared with 12¼-12⅛ p.c. on Wednesday, while the

UK clearing bank base lending rate 12 per cent from August 25 & 26

one-year rate moved up to 12⅝-12½ p.c. compared with 12½-12⅜ p.c. Overnight funds were also more expensive, as the market faced an unexpected large shortage of liquidity. From a modest opening of 10-9¾ p.c. overnight money rose to a high of 13 p.c. in the afternoon.

The Bank of England forecast a shortage of around £500m, with factors affecting the market including bills maturing in official hands and a take up of Treasury bills, [illegible] to the system. This was offset by Exchequer transactions, which drained £1,235m, and a rise in the note circulation of £55m. In addition, banks brought forward balances [illegible] below target.

The forecast was revised to a shortage of around £450m, and the Bank gave assistance in the morning of £222m, comprising outright purchases of £2m of local authority bills and £220m of eligible bank bills, all in band 4 at 11[illegible] p.c.

In the afternoon, the Bank revised its forecast to a shortage of around £400m, before taking into account the morning help. Assistance in the afternoon totaled £12m, and comprised outright purchases of eligible bank bills in band 4 at 11[illegible] p.c. Late help came to £85m, making a total of £319m.

Interest rates remained firm in Frankfurt, as commercial banks drew in funds to meet major tax payments. Wednesday's allocation of DM12.6bn through the Bundesbank's latest sale and repurchase facility was regarded as more adequate than generous, despite an initially favourable response.

However banks managed to increase their reserve holdings with the Bundesbank to DM54.9bn on Tuesday, up from DM53.4bn on Monday. Nevertheless, dealers remained cautious, showing concern that any renewed currency intervention by the Bundesbank to support the D-Mark, would draw funds out of the system.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sept.15) 3 months US dollars		6 months US Dollars	
bid 8⅝	offer 8⅝	bid 8⅞	offer 8⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9¾-¼
Fed. funds	8⅝-⅝
Fed. funds at intervention	-

Treasury Bills and Bonds

One month	6.95	Three year	8.46
Two month	7.31	Four year	8.54
Three month	7.40	Five year	8.61
Six month	7.74	Seven year	8.75
One year	7.90	10-year	8.87
Two year	8.34	30-year	8.96

Sept.15	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.75-4.85	4.75-4.90	4.80-4.95	4.85-5.00	5.15-5.30	5.00
Paris	7⅜-7⅝	7⅛-7⅜	7⅝-7⅞	7⅞-8⅛	8⅛-8⅜	6.75
Zurich	1⅝-1⅞	3⅛-3⅜	-	3⅜-3⅝	-	-
Amsterdam	5.62-5.75	5.45-5.55	-	5.50-5.60	-	-
Tokyo	3.78125	4.34375	-	4.21875	-	-
Milan	10⅞-10⅞	11⅛-11⅛	-	11⅛-11⅞	-	-
Brussels	7.75	7⅛-7⅞	-	7⅞-7⅞	-	-
Dublin	7¼-7⅞	7⅜-7⅜	7½-7¾	7¼-8	8¼-8⅜	-

LONDON MONEY RATES

Sept.15	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	13	11⅛	11⅞	12⅛	12⅝	12⅞
Interbank Bid	9¾	10⅞	11⅞	12⅛	12⅝	12⅝
Sterling CDs	-	-	11⅞	12⅛	12⅝	12⅝
Local Authority Deps.	10½	10¾	11⅞	12	12⅛	12⅛
Local Authority Bonds	-	-	11⅞	12⅛	12½	12½
Discount Mkt. Deps.	12	10⅞	11⅞	11⅞	-	-
Company Deposits	-	-	11⅞	12⅛	12¼	12⅝
Finance House Deposits	-	-	11⅞	12¼	12⅝	12⅞
Treasury Bills (Buy)	-	-	11⅞	11⅞	-	-
Bank Bills (Buy)	-	-	11⅞	11⅞	11⅞	-
Fine Trade Bills (Buy)	-	-	12⅛	12⅛	12⅛	-
Dollar CDs	-	-	8.15-8.10	8.20-8.15	8.45-8.40	8.65-8.60
SDR Linked Dep Offer	-	-	7⅞	7⅞	7⅞	8⅛
SDR Linked Dep Bid	-	-	7⅛	7⅞	7⅞	7⅞
ECU Linked Dep Offer	-	-	7⅞	7⅞	7⅞	7⅞
ECU Linked Dep Bid	-	-	7⅞	7⅝	7⅞	7¾

Treasury Bills (sell); one-month 11⅞ per cent; three months 11⅞ per cent; Bank Bills (sell); one-month 11½ per cent; three months 11⅞ per cent; Treasury Bills; Average tender rate of discount 11.5509 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day Aug.31, 1988. Agreed rates for period September 26, 1988 to October 25, 1988, Scheme I: 12.27 p.c., Schemes II & III: 12.72 p.c. Reference rate for period July 30, 1988 to August 31, 1988, Scheme IV&V: 11.364 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from September 1, 1988: Bank Deposit Rates for sums at seven days notice 3.75 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July 5, 1988. Deposits withdrawn for cash 3 per cent.

FINANCIAL FUTURES

Prices slip on inflation fears

STERLING BASED contracts lost ground in yesterday's Liffe market, as investors showed their concern at a disturbing rise in average earnings. The December three-month sterling deposit contract slipped to 87.70 at the close from an opening level of 87.79 and Wednesday's close of 87.84.

Dealers pointed out that there was a very strong support level at 87.66, and the contract touched a low yesterday of 87.67. The support level is expected to hold, unless today's release of retail prices is much worse than expected.

Long gilt prices also finished on a weaker note. The December price finished at the day's low of 93-18, having opened at 93-28 compared with 94-00 on Wednesday.

US Treasury bond prices showed a small improvement, helped by an unexpected decline in US retail sales in August. However the extent of the rise was restricted by selling at the higher levels, and after touching a peak of 89-02, the December contract finished at 88-21, still up from 88-15 at the opening, and Wednesday's close of 88-19.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls [illegible] Puts [illegible]
Previous day's open int. Calls [illegible] Puts [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls [illegible] Puts [illegible]
Previous day's open int. Calls [illegible] Puts [illegible]

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Oct	Puts-settlements Sep	Puts-settlements Oct
[illegible]	[illegible]	[illegible]	[illegible]	23
[illegible]	[illegible]	[illegible]	[illegible]	83
[illegible]	[illegible]	[illegible]	[illegible]	223
[illegible]	[illegible]	[illegible]	[illegible]	471
[illegible]	[illegible]	[illegible]	[illegible]	825
[illegible]	[illegible]	[illegible]	[illegible]	1256

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 4 Puts 146

LIFFE £/$ OPTIONS £25,000 (cents per £1)

Strike Price	Calls-settlements Sep	Calls-settlements Oct	Puts-settlements Sep	Puts-settlements Oct
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 753 Puts 2592

LIFFE EURODOLLAR OPTIONS $1m points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 70 Puts 500
Previous day's open int. Calls 3229 Puts 4869

LIFFE SHORT STERLING

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
8725	[illegible]	[illegible]	[illegible]	22
8750	[illegible]	[illegible]	[illegible]	29
8775	[illegible]	[illegible]	[illegible]	38
8800	[illegible]	[illegible]	[illegible]	49
8825	[illegible]	[illegible]	[illegible]	63
8850	[illegible]	[illegible]	[illegible]	79
[illegible]	[illegible]	[illegible]	[illegible]	97

Estimated volume total, Calls 205 Puts 506
Previous day's open int. Calls 25436 Puts 23800

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
1.600	27.65	7.65	7.81	8.01	-	0.25	0.78	1.57
1.625	5.15	5.40	5.74	6.21	-	0.48	1.35	2.25
1.650	2.66	3.46	4.03	4.65	0.06	1.11	2.10	3.15
1.675	0.64	2.06	2.66	3.35	0.42	2.14	3.27	4.41
1.700	-	1.00	1.76	2.35	2.03	3.57	4.69	5.92
1.725	-	0.50	1.06	1.68	4.48	5.47	6.47	7.64
1.750	-	0.17	0.58	1.12	7.00	7.64	8.48	9.44

Previous day's open int: Calls 664,362 Puts 552,952
Previous day's volume: Calls 37,008 Puts 52,053

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

Strike Price	Calls-settlements Sep	Oct	Nov	Dec	Puts-settlements Sep	Oct	Nov	Dec
1.650	3.05	3.90	4.55	5.20	0.30	1.45	2.50	3.60
1.700	0.60	1.45	2.15	2.85	2.30	3.90	5.05	6.25
1.750	0.30	0.55	1.00	1.55	7.30	7.95	8.85	9.85
1.800	0.30	0.40	0.60	0.90	12.30	12.70	13.30	14.10
1.850	0.30	0.35	0.45	0.60	17.30	17.65	18.10	18.65
1.900	0.30			0.50	11.70			22.50
1.950	0.40			0.45	11.40			17.60

Estimated volume total, Calls N/A Puts N/A
Previous day's open int: Calls 390 Puts 211

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev.
Sep	92-30	93-16	92-30	93-12
Dec	93-18	94-02	93-18	94-00

Estimated Volume 17239 (15761)
Previous day's open int. 29084 (29411)

7-10 YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev.
Sep	92-31	93-05	93-05	93-03
Dec	92-28	93-02	92-28	93-03

Estimated Volume 78 (121)
Previous day's open int. 1977 (1958)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Dec	101.26	101.35	101.12	101.00
Mar	100.01			99.75

Estimated Volume 314 (546)
Previous day's open int. 524 (483)

THREE MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev.
Sep	87.66	87.78	87.63	87.75
Dec	87.70	87.84	87.67	87.84
Mar	88.17	88.28	88.17	88.27
Jun	88.43	88.52	88.44	88.52

Est. Vol. (inc. figs. not shown) 18688 (16629)
Previous day's open int. 46386 (45212)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev.
Sep	176.00	176.90	175.70	176.10
Dec	177.80	178.70	177.50	178.00
Mar				

Estimated Volume 3512 (3717)
Previous day's open int. 13032 (12314)

THREE MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev.
Sep	91.69	91.72	91.68	91.70
Dec	91.38	91.45	91.33	91.39
Mar	91.47	91.50	91.45	91.47
Jun	91.23	91.23	91.21	91.24

Est. Vol. (inc. figs. not shown) 8241 (9627)
Previous day's open int. 42448 (42056)

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev.
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]

Estimated Volume [illegible]
Previous day's open int. [illegible]

CURRENCY FUTURES

LIFFE-STERLING £25,000 $ per £

	Close	High	Low	Prev.
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]

Estimated Volume [illegible]
Previous day's open int. [illegible]

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6800	1.6753	1.6644	1.6505	1.6278

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.6780	1.6798	1.6760	1.6776
Dec	1.6622	1.6640	1.6612	1.6626
Mar	1.6516	1.6546	1.6500	1.6506
Jun	-	-	-	1.6370

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev.
Sep	89-11	89-13	89-04	89-06
Dec	88-23	88-26	88-15	88-18
Mar	88-06	88-07	87-29	88-00
Jun	87-21	87-21	87-15	87-14
Sep	87-02	87-02	87-00	86-29
Dec	86-22	86-22	86-22	86-13
Mar	86-01	86-01	86-01	85-30
Jun	-	-	-	85-16
Sep	-	-	-	85-02
Dec	-	-	-	84-21
Mar	-	-	-	84-08

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev.
Sep	92.78	92.78	92.77	92.76
Dec	92.83	92.85	92.78	92.80
Mar	92.86	92.86	92.85	92.82
Jun	92.67	92.67	92.65	92.65
Sep	92.48	92.49	92.48	92.46
Dec	92.31	92.31	-	92.30
Mar	92.31	92.31	-	92.30

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep	0.6322	0.6325	0.6314	0.6325
Dec	0.6398	0.6403	0.6391	0.6401
Mar	0.6465	0.6470	0.6460	0.6470
Jun	-	-	-	0.6551

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Latest	High	Low	Prev.
Sep	0.7468	0.7472	0.7462	0.7448
Dec	0.7529	0.7532	0.7522	0.7508
Mar	0.7590	0.7590	-	0.7570
Jun	0.7660	0.7660	-	0.7642

DEUTSCHE MARK (IMM) DM125,000 $ per DM

	Latest	High	Low	Prev.
Sep	0.5330	0.5338	0.5329	0.5328
Dec	0.5373	0.5381	0.5370	0.5371
Mar	0.5419	0.5420	0.5419	0.5412

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev.
Sep	91.68	91.71	91.68	91.68
Dec	91.38	91.45	91.37	91.38
Mar	91.48	91.53	91.46	91.45
Jun	91.23	91.28	91.23	91.22
Sep	91.03	91.06	91.03	91.02
Dec	90.84	90.86	90.84	90.83
Mar	90.84	90.86	90.82	90.81
Jun	90.77	90.80	90.76	90.75

STANDARD & POORS 500 INDEX $500 times index

	Latest	High	Low	Prev.
Sep	269.00	270.20	268.65	269.45
Dec	271.40	272.45	271.00	271.75
Mar	273.70	274.60	273.30	274.10
Jun	275.90	276.60	275.50	275.90

EUROPEAN OPTIONS EXCHANGE

Series		Nov. 88 Vol	Nov. 88 Last	Feb. 89 Vol	Feb. 89 Last	May 89 Vol	May 89 Last	Stock
GOLD C	$420	97	13.50 A	80	25	-	-	$420
GOLD C	$440	62	5	5	14	-	-	$420
GOLD C	$460	93	2	-	-	-	-	$420
GOLD C	$480	-	-	57	4.60	-	-	$420
GOLD P	$420	58	7.50	104	11	-	-	$420
GOLD P	$440	5	20	43	20 B	-	-	$420
		Sep. 88		Dec. 88		Mch. 89		
SILVER C	$950	-	-	-	-	70	10	$649
		Sep. 88		Oct. 88		Nov 88		
EOE Index C	Fl 225	1237	12.30	-	-	-	-	Fl. 237.07
EOE Index C	Fl 230	473	7	68	11	1	13 A	Fl. 237.07
EOE Index C	Fl 235	772	2	207	7.70	-	-	Fl. 237.07
EOE Index C	Fl. 240	289	0.20	98	5	23	7.70	Fl. 237.07
EOE Index C	Fl 245	227	0.10	51	3.30	386	5.20	Fl. 237.07
EOE Index P	Fl 210	-	-	123	0.90	-	-	Fl. 237.07
EOE Index P	Fl. 225	20	0.10	44	2.20	3	4.20	Fl. 237.07
EOE Index P	Fl 230	154	0.10	109	3.90	242	5.80	Fl. 237.07
EOE Index P	Fl. 235	50	0.50	62	5.40 A	-	-	Fl. 237.07
EOE Index P	Fl 240	71	2.70	33	8.30	-	-	Fl. 237.07
EOE Index P	Fl. 245	5	8	30	11.40	51	13.90	Fl. 237.07
		Nov. 88		Feb. 89		May 89		
DBL Index C	Fl 100	-	-	1000	0.90	-	-	Fl 100.24
		Sep 88		Oct. 88		Nov. 88		
$/Fl C	Fl. 205	70	6.50	3	6.50	-	-	Fl. 211.80
$/Fl C	Fl. 210	653	1.50	65	3.20	10	4.40	Fl. 211.80
$/Fl C	Fl 215	189	0.05	98	1.30	5	2.30	Fl. 211.80
$/Fl P	Fl 205	-	-	121	0.85 A	-	-	Fl. 211.80
$/Fl P	Fl. 210	15	0.10	33	2.40	-	-	Fl. 211.80
$/Fl P	Fl 215	100	3.30	-	-	-	-	Fl. 211.80
		Oct. 88		Jan. 89		Apr 89		
ABN C	Fl 50	21	0.10	226	0.80	7	1.60	Fl. 42.90
ABN P	Fl. 45	24	3	121	3.50	-	-	Fl. 42.90
AEGON C	Fl. 80	75	6.80	11	9.50	-	-	Fl. 86.70
AKZO C	Fl. 140	394	7.90	191	12.40	12	16.30	Fl. 144.60
AKZO P	Fl 150	55	7	88	11	-	-	Fl. 144.80
AMEV C	Fl. 55	247	0.50	11	2	4	3.10	Fl. 50.90
AMEV P	Fl 50	4	1	820	2.50	-	-	Fl. 50.90
AMRO C	Fl. 75	225	1.80	110	4.30	10	6	Fl. 74.10
AMRO P	Fl. 75	122	2.50	-	-	-	-	Fl. 74.10
BUHRMANN-T P	Fl 55	9	3	202	4	-	-	Fl. 53
ELSEVIER C	Fl 65	289	0.50	377	2.10	5	3.20	Fl. 60
ELSEVIER P	Fl. 55	103	0.50	33	1.80	-	-	Fl. 60
GIST-BROC. C	Fl. 40	229	0.70	17	2	9	3.30	Fl. 36.80
GIST-BROC. P	Fl. 30	50	0.20	-	-	3	1	Fl. 36.80
HEINEKEN C	Fl. 140	45	5.20	3	8.80	1	10.90	Fl. 141
HEINEKEN P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HOOGOVENS C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HOOGOVENS P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KLM C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KNP C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KNP P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NEDLLOYD P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NAT NED C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NAT NED P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PHILIPS C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PHILIPS P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ROYAL DUTCH C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ROYAL DUTCH P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ROBECO P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UNILEVER C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UNILEVER P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
VAN OMMEREN C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
VAN OMMEREN P	Fl. 27.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS : 34,147

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	12	City Merchants Bank	12	NatWestminster	12
Adam & Company	12	Clydesdale Bank	12	Northern Bank Ltd	12
AAB-Allied Arab Bk	12	Comm.Bk.N.East	12	Norwich Gen. Trust	12
Allied Irish Bank	12	Co-operative Bank	*12	PRIVATbanken Limited	12
● Henry Ansbacher	12	Coutts & Co	12	Provincial Bank PLC	13
ANZ Banking Group	12	Cyprus Popular Bk	12	R. Raphael & Sons	12
Associates Cap Corp	12	Dunbar Bank PLC	12	Roxburghe Guarantee	12½
Authority Bank	12	Duncan Lawrie	12	Royal Bk of Scotland	12
● B & C Merchant Bank	12	Equatorial Bank plc	12	Royal Trust Bank	12
Banco de Bilbao	12	Exeter Trust Ltd	12½	● Smith & Williamson Secs	12
Bank Hapoalim	12	Financial & Gen. Bank	12	Standard Chartered	12
Bank Leumi (UK)	12	First National Bank Plc	13	TSB	12
Bank Credit & Comm	12	● Robert Fleming & Co	12	UDT Mortgage Exp	§12.75
Bank of Cyprus	12	Robert Fraser & Ptrs	12½	United Bk of Kuwait	12
Bank of Ireland	12	Girobank	12	United Mizrahi Bank	12
Bank of India	12	● Guinness Mahon	12	Unity Trust Bank Plc	12
Bank of Scotland	12	HFC Bank plc	12	Western Trust	12
Banque Belge Ltd	12	● Hambros Bank	12	Westpac Bank Corp	12
Barclays Bank	12	Heritable & Gen Inv Bnk	12	Whiteaway Laidlaw	12½
Benchmark Bank PLC	12	● Hill Samuel	§12	Yorkshire Bank	12
Berliner Bank AG	12	C. Hoare & Co	12		
Brit Bk of Mid East	12	Hongkong & Shangh	12		
● Brown Shipley	12	● Leopold Joseph & Sons	12		
Business Mtge Tst	12½	Lloyds Bank	12		
CL Bank Nederland	12	Meghraj Bank Ltd	12		
Central Capital	12	McDonnell Douglas Bank	12.5		
● Charterhouse Bank	12	Midland Bank	12		
Citibank NA	12	Mount Bnkg Corp	12		
		Nat Bk of Kuwait	12		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 4.38% Savings 7.16%. Top Tier-£10,000+ instant access 9.0% § Mortgage base rate. § Demand deposit 7%. Mortgage 11.375% - 11.75%.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

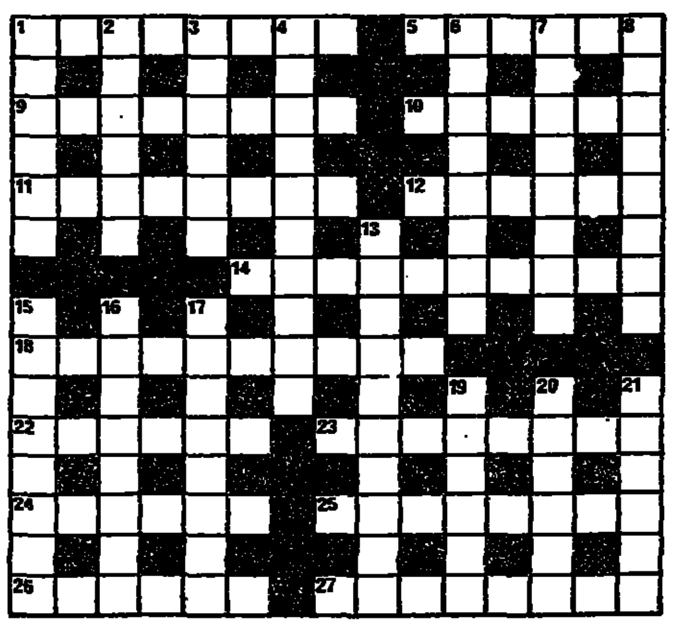
I.G INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD
Tel: 01-828 7233/5699 Reuters Code: IGIN, IGIO

FT 30	FTSE 100	WALL STREET
Sep. 1410/1419 -2	Sep. 1755/1765 -5	Sep. 2093/2105 +3
Dec. 1425/1434 -2	Dec. 1774/1784 -5	Dec. 2107/2119 -1

Prices taken at 5pm and change is from previous close at 9pm

CROSSWORD

No. 6,735 Set by GRIFFIN



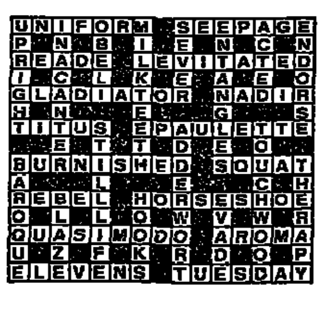
ACROSS

1 Overlooking insolence during trip to Gateshead (8)
5 First Christmas present box (6)
9 Home with Heather, snuggling close (8)
10 Hotel in group backing court activity? (6)
11 Inscriptions of mine in an unusual shape (8)
12 Weak company after National Insurance returns (6)
14 For a pound got back number with everything included (10)
18 Colin acted as a westerner (10)
22 Criticise attempt by food store (6)
23 To cover retirement get in shape, working hard (8)
24 Skinhead with pen goes to first enquiry clerk (6)
25 Region I'd back without exception (8)
26 Writer missing point about love for disorderly person (6)
27 Where Ray hires transport (8)

DOWN

1 Possibly resign as an entertainer (6)
2 When home it's up to the *student to drop in* (6)
3 Supporter left during April revolution (6)
4 After mid-morning poor Hal cannot get cool (10)
6 Love to look slyly round and get plant (8)
7 Escape article dropped in window (8)
8 She wants a pink hawthorn outside the back door (8)
13 Distinguished person, not with talent (10)
15 One writing notes in bars (8)
16 Score in a rough outline of the film (8)
17 Including a lady talented and charming (8)
19 You say it has moved outside the opening? (6)
20 Stars an American soldier hiding exploded mine (6)
21 *Express union leader's entry* as a figure (6)

Solution to Puzzle No.6,734



GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. *These charges are included in the price when the customer buys units.*

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust information pages.

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB Unit Trusts (y) (1000)F						
Charlton Pl, Andover, Hants. SP10 1RE 0264 63434						
TSB American	5	100.69	100.69	106.97	+1.57	2.11
Do Accum	5	108 07	108.07	114.81	+1.68	2.11
TSB Unit Growth	5	53.11	53.24	56 64	+0 79	3 34
Do Accum	5	54.83	54.97	58.48	+0.82	3.34
TSB European	5	49.71	49.84	53 02	+0 37	1 17
Do Accum	5	51 06	51.19	54 46	+0 37	1 17
TSB Extra Income	5	139 99	141.84	150 89	+0.84	5.99
Do Accum	5	180 70	183 08	194 77	+1.08	5.99
TSB Smaller Cos	5	51.68	53.20	56 60	+0 22	1.21
Do Accum	5	52 60	54.15	57 61	+0 23	1.21
TSB General	5	171 37	171.37	182 31	+2.66	3 44
Do Accum	5	296 64	296 64	315 57	+4 60	3.44
TSB Gilt & Fxd Int	3¼	46.84	46.84	48.44	-0 03	9.10
Do Accum	3¼	70 72	70.72	73 14	-0 04	9 10
TSB Income	5	251 51	251.51	267.56	+2.87	5.23
Do Accum	5	420 39	420 39	447.22	+4.79	5.23
TSB Pacific	5	205 23	206 23	219.39	+1.70	0.32
Do Accum	5	213 40	214 41	228 10	+1 77	0.32
TSB International	5	320 99	321.79	342 33	+2.99	1.03
Do Accum	5	403 77	404.78	430.62	+3 71	1 03
TSB Nat Resources	5	60.13	60 66	64.53	+0 60	1.41
Do Accum	5	63 21	63 76	67.83	+0.60	1 41
TSB Sictd Opps	5	76 22	76.22	81.09	+0.80	2.46
Do Accum	5	86.98	86.98	92.53	+0.91	2.46
Target Trust Mngrs Ltd (1600)H						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin: 0296 394000 Dealing: 01-379 0860						
American Eagle	5	63 90	63 90	68.35	+0.18	0.87
Australia	5	7.632	7.632	8 162	+0.15	0.10
Commodity	5	74.15	74.15	80.09	+0.78	0.62
Convertible	5	139.4	139.4xd	150 3	-0.10	5.09
Equity	5	142.8	142.8	154.2	—	3.39
Euro Spec Sits	5	77 15	77 15	82.88	+0.03	1.64
Financial	5	29 57	29.57xd	32.34	+0.74	2.11
Global Opps Inc	5	55.21	55.21	59.50	—	0.63
Global Opps Acc	5	55.21	55 21	59.50	—	0.63
Gold Income	5	49 57	49.57	53.03	+0.36	0 00
Gold Acc	5	91 19	91.19	97 68	+0.67	0.00
Income	5	99 60	99.60xd	107.0	—	4.74
Japan	5	119 9	119 9xd	129.0	+0.5	0.00
Pacific Inc	5	111.8	111.8xd	120.7	+0.8	0.06
Pacific Acc	5	138.7	138 7	149.7	+0.9	0.06
Preference Share	5	24 90	24.90	27 01	+0.79	7.46
Special Sits	5	93.03	93.03xd	100.8	—	1.55
Technology	5	37.03	37.03	40.00	+0.40	0.50

	Bid Price	Offer Price	+ or -	Yield Gross
MIM Ltd				
Mngd Pens (Acc)	53.1	56.6	-0.1	0.80
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Sept 14	39 9	41.4	+0.0	2.30
Euro Expt Sept 14	39.8	41.7xd	+0.0	2.73
Fixed Int Ex Sept 14	48.1	50 4	+0.0	9.72
Japan Expt Sept 14	52.4	54.5	+0.0	0.47
Managed Ex Sept 15	37.5	39.0	+0 0	4 68
SE Asia Expt Sept 14	36.4	38.2	+0.0	1.98
Sm Cos Expt Sept 14	42.5	44.6	+0.0	2.81
UK Eqty Ex Sept 14	34.3	36.0xd	+0.0	4.23
New Court Property Fund Managers				
NC Property	189.5	199.5	.....	—
Phillips & Drew Fnd Management Ltd				
PDFM Small Co Sept 15	771.0	817 0	.....	3.75
Do Accum	796.0	844.0	.....	3.75
PDFM Int Expt Sept 15	126.3	128.3	+2.6	2.69
J. Rothschild Fund Managers Ltd				
Intl Exempt	91.60	92.75	-1	2.98

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Society				
Investment Mngt. M & G Inv Mngt Ltd				
AA Friendly Sy Aug 12	—	134.9	—	—
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser 1	257.6	271.2	—	—
Equity Ser. 1	111.7	117.6	+1.6	—
Prop. Acc. Ser 2	373.1	392.8	—	—
Equity Ser 2	126.8	133.5	+1 8	—
Selective Acc	286.3	301.4	+1.8	—
Prop. Ser. 4	293.3	308.8	—	—
Equity Ser. 4	130.9	137.8	+1.4	—
Fixed Int. Ser. 4	210.9	222.1	+0.1	—
Indexed Inv. Ser. 4	120.7	127.2	+0.2	—

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

	Bid Price	Offer Price	+ or -	Yield Gross
Pearl Assurance (Unit Funds) Ltd				
252 High Holborn, London WC1V 7EB 01-405 8441				
Prop Dist. (Gross)	174 4	183 6	—	—
Prop Acc. (Gross)	282 4	297 3	—	—
Equity (Gross)	640 5	674 3	+7.7	—
Managed (Gross)	462 2	486 6	+4.0	—
Prop Acc. (Net)	130 5	137 4	—	—
Equity (Net)	150 6	158 6	+1 4	—
Managed (Net)	142.5	150.1	+0 9	—
International (net)	130.7	137.6	+1.1	—
Gilt & Fxd Interest	99.1	104 4	+0.1	—
Money Fund	100 8	106.1	—	—
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	437 1	460.2	+3.5	—
Ret Man (Series 2)	148.2	156.1	+1.2	—
Ret Man (Series 3)	97 5	97 5	+0.7	—
Ret Cash	124.7	131.2	—	—
Ret Cash (Series 3)	102.1	102.1	—	—
Phoenix Assurance Co Ltd				
Phoenix House Redcliff Hill, Bristol 0272 294941				
Life Assurance Funds				
Wealth Asrd.	382.5	402.8	...	—
Eb'r Ph Eq	344 2	366.6	...	—
Pension Plan Funds				
Phoenix				
UK Equity Acc	165.3	173 9	+1.2	—
International Acc.	142 1	149.5	+1.3	—
Property Acc	147.5	155 2	+0 1	—
Fixed Interest Acc.	154 4	162 5	+0.1	—
Money Acc.	143 8	151.3	...	—
Bldg Soc. Link Acc.	140 6	148.0	...	—
Special Mnged Acc. Q	151.2	159 1	+0.7	—
Phoenix/Framlington				
Intnl Growth Acc.	89.10	93 70	+0 80	—
Am Smllr Cos Acc.	89 80	94.50	+1.20	—
Capital Tst. Acc.	170 8	179.7	+0 6	—
Japan & Gen Acc.	192.1	202.2	+1 4	—
American Turn Acc	98.40	103.5	+1.5	—

	Bid Price	Offer Price	+ or -	Yield Gross
Provident Life Assoc Ltd				
Provident Way, Basingstoke RG21 2SZ 0256 470707				
Unit Fund	875 9	919.7	+1.1	—
Equity Fund	197 8	207.7	+0 0	—
International Fd	131.5	138.1	+1 0	—
Fixed Interest Fd	148 2	155 6	+0.2	—
Property Fund	172.7	181.3	......	—
Index-Linked Fund.	123 6	129 8	+0.4	—
Deposit Fund	130 0	136.5	+0.0	—
Pens. Mixed (Ord) Fd.	202.1	212.2	+0.2	—
Gold Pensions				
Discretionary Fund.		98 0	+0.1	—
Equity Fund		96.4	+0 0	—
Fixed Interest Fund		101.1	+0 1	—
International Fund		98.4	+0.9	—
Property Fund		100.0	...	—
Index-Linked Fund		100.7	+0.3	—
Deposit Fund		101.7	+0 0	—
S & F Consolidation		100 2	+0 1	—
S & F Balanced		96.9	+0.3	—
S & F Maximum Growth		93.3	+0.4	—
Provident Mutual Life Assc. Assn.				
Willian Rd, Hitchin, Herts SG4 0LP 0438 739000				
Managed Ord	281.8	296 6	+0.2	—
Managed Init	232.1	244 3	—	—
Equity Ord	390 3	410.8	-0 1	—
Equity Init.	321.6	338.5	-0 1	—
Index Linked Gilt Ord	122 4	128 8	+0 5	—
Index Linked Gilt Init.	105.3	110 8	+0.4	—
Overseas Equity Ord.	256.9	270.4	+1.2	—
Overseas Equity Init.	211 7	222.8	+1	—
Property Ord.	172.3	181.4	—	—
Property Init.	142.0	149.5	—	—
Fixed Interest Ord.	168.2	177 1	—	—
Fixed Interest Init.	138.5	145.8	-0.1	—
Deposit Ord.	135.9	143 1	+0.2	—
Deposit Init.	111.9	117.8	—	—
Pension Funds				
Managed Ord.	339 6	357.5	+0.1	—
Managed Init.	279 8	294.5	+0 1	—

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	1988 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
99[illegible]	83[illegible]	Redemption 3pc 1986-96	99[illegible]	.....	–	–
100[illegible]	99[illegible]	Treas. 9½pc '88	99[illegible]	.....	9.53	11.61
102[illegible]	99[illegible]	Treas 11½pc 1989	99[illegible]	.....	11.51	11.45
101[illegible]	98[illegible]	Treas 9½pc Cnv 1989	98[illegible]	.....	9.59	11.38
97[illegible]	95[illegible]	Treas 3pc 1989	96[illegible]	[illegible]	3.12	8.96
102[illegible]	99[illegible]	Treas 10½pc 1989	99[illegible]	.....	10.58	11.48
102	98[illegible]	Exch.10pc 1989	98[illegible]	.....	10.12	11.43
103[illegible]	99[illegible]	Exch 11pc 1989	99[illegible]	.....	11.03	11.31
97[illegible]	94[illegible]	Treas 5pc 1986-89	95[illegible]	.....	5.26	9.92
104[illegible]	98[illegible]	Exch 10¼pcCv '89	99	[illegible]	10.35	11.09
107½	102[illegible]	Treas 13pc 1990‡‡	102[illegible]	.....	12.66	10.70
104[illegible]	100[illegible]	Exch 11pc 1990‡‡	100½	.....	10.96	10.63
107[illegible]	102[illegible]	Exch. 12½pc 1990	102[illegible]	[illegible]	12.21	10.80
93[illegible]	90[illegible]	Treas. 3pc 1990	90[illegible]	[illegible]	3.30	9.11
99[illegible]	95[illegible]	Treas 8¼pc 1987-90‡‡	96[illegible]	.....	8.56	10.52
102[illegible]	95[illegible]	Treas. 8pc Cv 1990 ‡‡	96[illegible]	[illegible]	8.28	10.05
103[illegible]	98[illegible]	Treas. 10pcCv 1990	98[illegible]	[illegible]	10.15	10.78
91[illegible]	87[illegible]	Exch 2½pc 1990	87[illegible]	[illegible]	2.85	8.78
107[illegible]	101[illegible]	Treas 11¾pc 1991	102[illegible]	[illegible]	11.52	10.70
95[illegible]	90[illegible]	Funding 5¾pc '87-91‡‡	90[illegible]	[illegible]	6.33	9.92
90[illegible]	86[illegible]	Treas. 3pc 1991	86½	[illegible]	3.47	8.81
105[illegible]	98[illegible]	Treas 10pc Cv '91 ‡‡	98[illegible]	[illegible]	10.12	10.48
107[illegible]	100[illegible]	Exch. 11pc 1991	101	[illegible]	10.89	10.60
98[illegible]	92[illegible]	Treas. 8pc 1991	93[illegible]	[illegible]	8.60	10.59
113[illegible]	105[illegible]	Treas 12¾pc 1992‡‡	106[illegible]	[illegible]	12.01	10.49
104[illegible]	98[illegible]	Treas 10pc 1992	98[illegible]	[illegible]	10.13	10.45
98[illegible]	92¼	Treas. 8pc 1992 ‡‡	92[illegible]	[illegible]	8.65	10.47
106[illegible]	99½	Treas 10½pc Cv 1992‡‡	106	[illegible]	10.50	10.48
86[illegible]	82[illegible]	Treas. 3pc 1992	82[illegible]	[illegible]	3.64	8.57
112[illegible]	104[illegible]	Exch. 12¼pc '92	105[illegible]	[illegible]	11.62	10.51
117[illegible]	108[illegible]	Exch 13½pc 1992	109[illegible]	[illegible]	12.33	10.5[illegible]
97[illegible]	91¼	Treas 8¾pc 1993	92[illegible]	[illegible]	8.94	10.44
105[illegible]	97[illegible]	Treas 10pc 1993‡‡	98[illegible]	[illegible]	10.14	10.39
115[illegible]	107[illegible]	Treas 12½pc 1993‡‡	107[illegible]	[illegible]	11.63	10.47

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for December 1987:103.3 and for July 1988:106.7

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS – Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
27¼	22⅞	Texas Instr. $1	24	+¼	72c	–	1.8
60¼	43¼	Time Inc. $1	58¼	+2¼	$1.00	–	1.0
21⅛	15⅞	Transamerica $1	21⅛	+⅛	$1.84	–	5.1
20⅛	14½	TRINOVA Corp	15⅝	.....	64c	–	2.4
19	15¼	USX $1	16⅞	+⅝	$1.20	–	4.2
23	17⅝	Utd. Technologies	22⅝	+¼	$1.60	–	4.2
33½	26¾	US West	32⅞	+⅝	$3.52	–	6.3
23¼	16⅞	Waste Management $1	23¼	+½	48c	–	1.2
16⅞	12⅞	Whirlpool $1	14⅞	+¼	$1.10	–	4.3
32⅞	18¼	♦Woolworth $3½	31¼	+⅞	$1.64	–	3.1

CANADIANS

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	173p	ABM Gold Corp	195p	–1	–	–	–
32p	11p	♦Abbot Energy Corp	13½p	+½	–	–	–
14¼	941p	♦Amer. Barrick Res	974p	+22	–	–	–
10p	3½p	American Lightwave	4p	.....	–	–	–
47p	13p	♦Armeno	13p	–2	–	–	–
76p	45p	Augmitto Expln	45p	.....	–	–	–
14¼	10⅝	Bk. Montreal	14¼	+½	$2.00	–	6.9
724p	514p	Bk. Nova Scot.	724p	+28	76c	–	5.1
18¼	15¼	BCE	18¼	+⅛	$2.44	–	6.6
716p	591p	♦Bow Valley	675p	+14	40c	–	2.9
13⅛	10½	♦Brascan	12½	+½	88c	–	3.4
328p	189p	♦Breakwater Res	209p	+9	10c	–	2.3
12	801p	Can. Imp. Bank	12	+¼	$1.16	–	4.7
11½	841p	Can. Pacific	992p	+22	60c	–	2.9

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

DRAPERY AND STORES

CHEMICALS, PLASTICS

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

حكما من الأصل

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

High	Low	Stock	Price	+ or -	Div Net	C'vr	Gr's	P/E
[illegible]								
60	33	Propeller 1p ... y	50	+2	-	-	-	24.1
31	13	Publishing Hldgs 5p. y	17	-1	-	-	-	10.2
63	61	Remaminster 5p ... y	61	-1	ø1.0	4.3	2.2	14.3
237	150	Royal Sovereign 10p. y	218	.....	4.6	1.9	2.9	19.6
26	22½	Scott Pickford 10p ... y	24½	.....	3.1	0.7	16.9	12.7
116	68	Seacon Hldgs. ..... y	103	.....	Z1.0	-	1.3	-
15½	11	Sonic Tape 2½p .... y	11½	.....	-	-	-	15.1
27	18	Stats Hldgs. 5p .... y	24	.....	-	-	-	♦
4½	2¼	Swanyard Studios 1p y	3¼	.....	-	-	-	♦
298	200	Takare .... y	268	+5	b1.0	8.1	0.5	27.5
70	41	Theme Holdings .... y	67	+1	♦1.1	♦	2.2	♦
36	26	Tomorrows Leisure 20p y	30	.....	-	-	-	♦
25	13½	Tullow Oil 10p ..... y	18	.....	-	-	-	-
135	110	UPL Group 10p ..... y	118	.....	L2.41	4.3	2.9	15.0
182	120	Usit Group .... y	168	.....	5.0	♦	4.0	♦
125	85	Video Tape Rec 5p. y	110	.....	L2.3	2.3	2.8	15.8

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- ° Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ¤ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p .... y	70	.....
Craig & Rose £1 .. y	698	.....
Finlay Pkg. 5p .... y	86	.....
Holt (Jos) 25p .... y	£12½	+⅛

IRISH

Cap. 8½% Ln. 1991	£98¼	.....
9pc Cap Ln. 1996 ..	£99¾	.....
Fin. 13% 97/02 ...	£119¾	.....
Arnotts .... y	358	.....
Carrol Inds. ..... y	157	-3
Grafton Grp. ..... y	128½xd	+½
Hall (R. & H.)	135	.....
Heiton Hldgs. ..... y	55xd	+1
Irish Ropes .... y	163	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp.	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord.	21
Cadburys	32
Charter Cons.	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd.	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen.	25
Lex Service	33
Lloyds Bank	26
Lucas Inds.	58
Marks & Spencer	17
Midland Bk.	37
Morgan Grenfell	30
NEI	10
Nat West Bk.	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect.	32
RHM	30
Rank Org Ord	64
Reed Intnl.	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property

Brit Land	30
Land Securities	52
MEPC	52
Peachey	58

Oils

Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines

Cons Gold	95
Lonrho	20
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday September 15 1988: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1988 to date	Wed Sep 14 Index No.	Tue Sep 13 Index No.	Mon Sep 12 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (210)	763.09	+0.3	10.95	4.28	11.29	17.69	760.59	759.06	755.33	968.78
2 Building Materials (29)	950.41	-0.6	12.35	4.55	9.98	21.96	956.40	953.74	952.76	1187.57
3 Contracting, Construction (37)	1518.81	-0.3	11.34	3.68	11.50	29.01	1523.50	1521.28	1516.22	1811.01
4 Electricals (12)	2082.84	+0.4	9.66	4.93	12.66	53.78	2074.85	2072.36	2069.11	2493.31
5 Electronics (28)	1671.42	+0.5	10.66	3.72	12.07	40.42	1662.59	1656.85	1635.51	2043.11
6 Mechanical Engineering (58)	397.75	+0.1	10.43	4.43	11.89	9.39	397.49	399.60	398.59	518.52
8 Metals and Metal Forming (7)	463.80	+0.6	10.48	4.17	11.79	7.95	460.86	461.95	460.24	573.55
9 Motors (16)	264.69	+0.4	12.33	4.99	9.36	7.06	263.64	263.75	262.44	396.69
10 Other Industrial Materials (23)	1283.62	+1.8	9.92	4.51	11.88	30.04	1260.83	1248.33	1244.82	1689.88
21 CONSUMER GROUP (185)	1032.90	-0.1	9.67	3.87	13.06	19.52	1033.83	1027.91	1023.49	1337.32
22 Brewers and Distillers (21)	1072.64	+0.5	11.01	3.80	11.46	20.86	1066.91	1061.03	1057.59	1208.58
25 Food Manufacturing (21)	932.23	+0.5	9.48	4.05	13.40	17.99	927.55	913.54	908.67	1019.42
26 Food Retailing (16)	1835.12	-0.6	9.43	3.64	14.00	38.49	1846.90	1857.31	1849.10	2455.57
27 Health and Household (12)	1804.28	-0.5	6.95	2.73	16.68	18.01	1814.24	1808.29	1807.24	2589.51
29 Leisure (30)	1309.81	+1.1	9.41	3.91	13.63	29.54	1295.19	1284.06	1273.20	1483.61
31 Packaging & Paper (17)	494.24	+0.3	10.59	4.36	12.12	10.47	492.52	494.64	490.25	671.15
32 Publishing & Printing (18)	3300.57	–	8.96	4.63	13.93	73.53	3300.81	3286.42	3273.59	4657.73
34 Stores (34)	739.82	-1.3	11.27	4.49	11.68	15.59	749.63	742.20	737.36	1094.27
35 Textiles (16)	539.16	+0.8	12.82	5.08	9.15	12.69	534.68	535.31	536.37	863.66
40 OTHER GROUPS (93)	866.94	+0.1	11.56	4.61	10.55	20.21	866.27	863.37	858.09	1133.84
41 Agencies (19)	1018.17	+0.3	8.90	2.75	14.20	18.11	1015.03	1011.96	1009.64	1719.72
42 Chemicals (21)	1036.87	–	12.33	4.91	9.73	35.79	1037.01	1032.22	1025.27	1464.52
43 Conglomerates (13)	1180.54	+0.1	10.84	4.59	10.65	24.52	1179.73	1180.62	1172.33	1449.63
45 Shipping and Transport (12)	1816.61	+0.4	11.95	5.08	11.06	35.65	1808.81	1809.33	1809.88	2318.77
47 Telephone Networks (2)	925.41	-0.1	12.00	4.81	10.81	20.38	926.48	922.27	915.45	1052.84
48 Miscellaneous (26)	1192.43	+0.2	11.81	4.54	9.65	24.75	1190.11	1182.23	1173.19	1691.94
49 INDUSTRIAL GROUP (488)	929.85	+0.1	10.54	4.18	11.79	19.77	929.22	925.43	920.84	1288.73
51 Oil & Gas (12)	1780.44	+1.8	10.62	6.08	12.06	64.62	1748.26	1733.28	1693.19	2242.31
59 500 SHARE INDEX (500)	1001.80	+0.3	10.55	4.45	11.83	23.54	998.61	993.91	986.43	1289.18
61 FINANCIAL GROUP (122)	665.50	-0.2	–	5.29	–	21.00	666.51	665.38	662.75	846.71
62 Banks (8)	643.53	+0.1	22.24	6.78	6.05	30.77	642.64	638.24	636.89	828.98
65 Insurance (Life) (8)	1001.30	+0.2	–	5.26	–	26.91	999.26	1006.22	999.59	1164.81
66 Insurance (Composite) (7)	513.16	-0.2	–	6.09	–	18.42	514.24	518.36	516.42	669.68
67 Insurance (Brokers) (7)	912.39	-0.2	10.51	6.98	12.32	32.03	914.53	918.99	914.05	1222.13
68 Merchant Banks (11)	325.80	+1.0	–	4.40	–	7.09	322.67	319.40	318.88	493.60
69 Property (51)	1156.72	-0.9	5.73	2.79	22.37	16.08	1166.65	1161.07	1153.91	1316.67
70 Other Financial (30)	353.54	-0.2	10.79	5.53	11.64	10.24	354.26	353.12	352.76	569.69
71 Investment Trusts (78)	895.12	+0.3	–	3.16	–	14.93	892.16	888.17	888.12	1168.36
81 Mining Finance (2)	526.11	+0.2	11.47	3.78	9.65	8.12	525.89	521.11	509.51	783.22
91 Overseas Traders (8)	1168.65	-0.2	10.22	4.78	11.43	35.31	1171.02	1173.28	1178.05	1240.64
99 ALL-SHARE INDEX (710)	916.63	+0.2	–	4.53	–	22.40	914.46	910.61	904.40	1176.85

	Index No.	Day's Change	Day's High	Day's Low	Sep 14	Sep 13	Sep 12	Sep 9	Sep 8	Year ago
FT-SE 100 SHARE INDEX ♦	1769.3	+4.2	1775.8	1767.5	1765.1	1756.3	1744.6	1738.4	1739.8	2304.5

FIXED INTEREST

PRICE INDICES		Thu Sep 15	Day's change %	Wed Sep 14	xd adj. today	xd adj. 1988 to date
British Government						
1	5 years	118.85	-0.06	118.92	–	8.55
2	5-15 years	134.43	-0.20	134.71	–	9.42
3	Over 15 years	143.81	-0.20	144.10	–	10.59
4	Irredeemables	164.47	-0.14	164.69	–	8.84
5	All stocks	131.84	-0.16	132.05	–	9.33
Index-Linked						
6	5 years	127.03	+0.44	126.47	–	1.81
7	Over 5 years	120.27	+0.34	119.87	–	2.65
8	All stocks	120.66	+0.35	120.24	–	2.57
9	Debentures & Loans	115.52	-0.04	115.57	–	7.37
10	Preference	89.76	-0.18	89.93	–	3.74

AVERAGE GROSS REDEMPTION YIELDS			Thu Sep 15	Wed Sep 14	Year ago (approx.)
British Government					
1	Low Coupons	5 years	10.81	9.97	9.52
2		15 years	9.65	9.62	9.77
3		25 years	9.33	9.32	9.63
4	Medium Coupons	5 years	10.42	10.38	10.23
5		15 years	9.90	9.86	10.04
6		25 years	9.60	9.57	9.83
7	High Coupons	5 years	10.57	10.52	10.32
8		15 years	10.03	10.00	10.22
9		25 years	9.58	9.56	9.87
10	Irredeemables		9.28	9.26	9.86
Index-Linked					
11	Inflation rate 5%	5yrs	3.21	3.38	3.35
12	Inflation rate 5%	Over 5 yrs	3.90	3.92	3.99
13	Inflation rate 10%	5yrs	2.20	2.37	3.32
14	Inflation rate 10%	Over 5 yrs	3.74	3.76	3.99
15	Debs & Loans	5 years	11.73	11.55	11.44
16		15 years	11.33	11.32	11.43
17		25 years	11.27	11.19	11.43
18	Preference		10.11	10.09	10.86

♦Opening index 1767.5; 10 am 1775.7; 11 am 1773.5; Noon 1770.6; 1 pm 1771.8; 2 pm 1771.8; 3 pm 1770.5; 3.30 pm 1770.0; 4 pm 1767.9

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	20	73	20
Corporations, Dominion and Foreign Bonds	2	18	30
Industrials	442	278	880
Financial and Properties	171	112	380
Oils	43	13	50
Plantations	3	1	9
Mines	74	29	90
Others	134	32	104
Totals	889	556	1,563

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
‡145	F.P.	–	173	145	Christie Group 2p	165		[illegible]	3.1	2.8	15.1
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
[illegible]	F.P.	–	[illegible]	[illegible]	A.C. Hldgs. 11% Cv. Uns. Ln. 1994/98	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Arley Hldgs.	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

a Annualised dividend. b Figures based on prospectus estimate. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. [illegible]

TRADITIONAL OPTIONS

- First Dealings Sep 12
- Last Dealings Sep 23
- Last Declarations Dec 8
- For settlement Dec 19

For rate indications see end of London Share Service

Stocks dealt in for the call included Sears, Oliver Resources, British Petroleum partly-paid, Owners Abroad, Low and Bonar, Marinex, Standard Chartered, W.H. Smith A, Bass, Mountleigh, H. Young and Cadbury Schweppes. No puts were reported, but double options were arranged in Oliver Resources and Sears.

LONDON TRADED OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied Lyons (*400)	390	22	33	42	8	15	18
	420	7	17	25	25	32	35
	460	1½	7	12	63	63	67
Brit. Airways (*152)	140	16	19	23	2	4½	7
	160	4½	7	13	12	16	19
	180	1	3	–	30	31	–
Brit. & Comm. (*215)	220	7	13	18	11	15	18
	240	3	7	10	30	33	35
	260	2	4	5	48	50	52
B.P. (*245)	220	28½	36	38½	1	3½	5½
	240	12	20½	23½	4	7½	13
	260	3	10	12	16	17	24½
Bass (*749)	700	60	70	80	5	13	18
	750	23	37	52	18	33	38
	800	5	17	30	55	68	70
Cable & Wire (*363)	330	40	50	63	2	9	11
	360	17	30	40	10	17	25
	390	4	17	25	30	33	40
Cons. Gold (*1042)	950	110	165	190	25	47	60
	1000	77	130	160	42	67	83
	1100	36	77	105	103	120	135
Courtaulds (*306)	300	18	29	36	7	13	15
	330	5	14	22	26	30	32
	360	1	6	12	55	55	55
Com. Union (*326)	300	34	46	51	4	8	10
	330	14	27	34	11	18	24
	360	5	14	20	36	38	44
G.E.C. (*156)	140	20	25	28	1	3½	6
	160	5	10	14	5½	9	14
	180	1	2½	7	25	26	27
G.K.N. (*313)	300	21	30	37	4	9	15
	330	5	15	18	20	23	30
	360	1	6	9	49	50	54
Grand Met. (*484)	460	35	53	57	6	12	16
	500	11	27	35	25	30	35
	550	1½	11	16	70	72	73
I.C.I. (*1025)	950	90	122	137	4	13	28
	1000	50	83	98	15	27	48
	1100	7	35	47	79	82	104
Jaguar (*242)	220	26	37	–	2½	5½	–
	240	12	23	32	7	13	19
	260	4	13	20	21	26	29
Land Securities (*544)	500	50	63	75	2½	8	16
	550	15	38	42	18	28	33
	600	3½	13	25	60	63	65
Marks & Spencer (*158)	140	20	25	28	1	3	4
	160	5	11	16	7	10	11
	180	1½	4	8	23	25	26
Britoil (*500)	420	–	–	–	1	–	–
	460	–	–	–	5	–	–
	500	–	–	–	14	–	–
Rolls-Royce (*129)	120	11	16	20	2½	5	7
	130	4½	9½	13	6	9	11
	140	2	5	9	15	17	19
STC (*263)	240	28	38	42	2	5½	9
	260	14	23	29	7	12	18
	280	5	13	18	19	21	27
Sainsbury (*202)	200	10	16	23	5	9	10
	220	2	6	11	21	21	22
	240	1	3	–	39	39	–
Shell Trans. (*1014)	950	70	95	110	11	20	40
	1000	30	63	77	30	40	67
	1100	6	22	33	112	112	117
Storehouse (*183)	180	14	19	26	8	12	15
	200	6	12	16	20	24	26
	220	2	7	11	38	40	40
Trafalgar House (*304)	280	30	34	38	3	9	12
	300	15	20	26	9	17	18
	330	3	8	14	28	36	38
T.S.B. (*98)	90	11	14	15	1	2½	3
	100	3	6	8	5	6½	7½
	110	1	2½	3½	14	14	14
Utd. Biscuits (*270)	260	18	25	31	5	9	11
	280	8	15	20	14	19	21
Ultramar (*227)	216	23	32	42	8	15	19
	235	13	23	29	18	23	29
	255	8	15	20	33	34	42
Woolworth (*254)	240	22	32	40	5	10	10
	260	9	20	27	15	20	22
	280	4	9	17	30	32	32

Option		Calls Nov	Calls Feb	Calls Apr	Puts Nov	Puts Feb	Puts Apr
Ladbroke (*436)	390	52	60	–	3	6	–
	420	29	38	45	12	16	17
	460	8	19	24	35	38	40

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Brit Aero (*456)	420	42	59	–	7	13	–
	460	17½	33	44	24	30	42
BAA (*254)	245	18	–	–	3½	–	–
	255	11	–	–	7	–	–
	260	–	16	24	–	16	18
BAT Inds (*440)	420	29	43	52	12	15	22
	460	10	23	28	35	40	44
	500	3	–	–	70	–	–
Brit. Telecom (*233)	220	20	24	30	3	6	8
	240	7	13	18	12	16	19
Cadbury Schweppes (*359)	330	42	57	63	10	13	17
	360	27	38	43	24	26	32
	390	14	23	30	43	45	50
Guinness (*316)	300	20	32	38	6	10	13
	330	5	16	21	22	24	30

Option		Calls			Puts		
LASMO (*562)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
P. & O. (*539)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pilkington (*194)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Plessey (*152)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Prudential (*155)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Racal (*310)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R.T.Z. (*432)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vaal Reefs (*562)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amstrad (*204)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays (*394)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Beecham (*455)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BTR (*284)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Blue Circle (*421)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dixons (*153)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Glaxo (*1016)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hawker Sidd. (*505)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hillsdown (*263)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hanson (*144)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lonrho (*260)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Bk (*401)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sears (*126)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tesco (*134)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trusthouse Forte (*248)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Thorn EMI (*613)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Unilever (*459)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wellcome (*479)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots (*209)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Gas (*168)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] (*361)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Conv. 9½% 2005 (*99)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tr. 12% 1995 (*107)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Index (*1768)	1650 / 1700 / 1750 / 1800 / 1850 / 1900 / 1950 / 2000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

September 15 Total Contracts 44,220 Calls 31,835 Puts 12,385
FT-SE Index Calls 1579 Puts 1519
*Underlying security price.

صلتنا من الأصل

LONDON STOCK EXCHANGE

Shares below best but oils advance

A wealth of economic numbers from both sides of the Atlantic, another day of tense trading in the oil share sector, an inflation warning from the Chancellor of the Exchequer and another increase in turnover led to an exciting session in London.

The equity market once again opened on a firm note and made further good progress during the first couple of hours before turning off as Wall Street performed rather disappointingly. The FT-SE 100-share index recorded its fourth successive improvement, posting a 4.2 gain at 1,765.1, having been up 10.7 around 10 am. Government bonds, meanwhile, slipped back with the notable exception of index-linked issues.

The warning by Mr Nigel Lawson, the Chancellor of the Exchequer, that there will be a "sharp rise in recorded inflation over coming months", reflecting the impact of higher interest rates on mortgage payments, caused an initial bout of unease throughout Gilts and equities.

Analysts are forecasting that today's retail prices index could well show an annual increase of not far short of 6 per cent.

And market observers were also uneasy following the release of the latest UK economic data which showed underlying average earnings up 9 per cent and productivity up around 8 per cent. "One possibly cancels out the other but overall the figures are slightly disturbing when coupled with the probable RPI figure" was the reaction of one economist. The news from the US, including retail sales, was described as heartening but failed to influence Wall Street during initial dealings.

Wall Street's early reluctance to advance too far in excess of the 2,100 level on the Dow Jones average was said to have taken the shine off London's equity sector but traders welcomed the latest increase in activity from the dreadful levels recorded at the start of the week. Turnover yesterday, which included customer and marketmaker business, was 435.3m.

The oil sector continued to overshadow the rest of the equity market with traders looking for the next moves in the LASMO/Enterprise/British Gas saga. Turnover in both classes of BP improved significantly ahead of news, expected soon, of the result of the Monopolies & Mergers Commission inquiry into the Kuwait Investment Office stake in BP. "Everyone is on alert in case the KIO pre-empt any decision by the MMC and reduce their stake to perhaps 14.9 per cent." said one trader.

The conventional gilts market struggled but index-linked stocks raced up to close with gains of ½ amid inflation worries; "after loose stock was cleared the market was caught in a bear squeeze", said dealers.

Account Dealing Dates

*First Dealings:	Sep 5	Sep 19	Oct 3
Option Declarations:	Sep 15	Sep 29	Oct 13
Last Dealings:	Sep 16	Sep 30	Oct 14
Account Day:	Sep 26	Oct 10	Oct 24

*New time dealings may take place from 9.00 am two business days earlier

FINANCIAL TIMES STOCK INDICES

	Sep 15	Sep 14	Sep 13	Sep 12	Sep 9	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	86.81	86.90	86.79	86.67	86.60	85.93	91.43 (19/4)	86.28 (2/9)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.63	95.49	95.53	95.34	95.63	91.72	98.57 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1422.0	1416.5	1409.8	1401.7	1396.5	1812.0	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	176.4	176.6	175.9	176.6	183.8	442.7	312.5 (7/1)	175.9 (13/9)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.63	4.61	4.64	4.66	4.68	3.34				
Earning Yld %(full)	12.16	12.15	12.23	12.30	12.34	7.93				
P/E Ratio(Net)(☆)	9.96	9.99	9.92	9.87	9.84	15.43				
SEAQ Bargains(5pm)	19,686	18,623	17,781	14,876	17,311	36,407				
Equity Turnover(£m)†	-	1098.71	957.79	586.47	870.76	2464.44				
Equity Bargains†	-	19,162	18,578	15,444	20,321	39,485				
Shares Traded (ml)†	-	324.8	287.3	210.9	298.0	603.7				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
N/A	1425.6	1424.9	1422.9	1423.9	1424.6	1423.4	1421.6

DAY'S HIGH 1426.0 DAY'S LOW 1417.7

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆ Nil 9.89 †Excluding intra-market business.

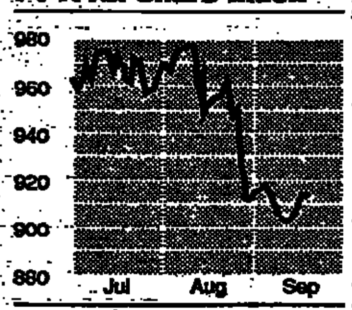
S.E. ACTIVITY

Indices	Sep 14	Sep 13
Gilt Edged Bargains	72.7	74.6
Equity Bargains	124.2	120.4
Equity Value	2220.8	1935.9
5-Day average		
Gilt Edged Bargains	78.3	79.5
Equity Bargains	117.1	113.8
Equity Value	1886.8	1791.1

London Report and latest Share Index: Tel. 0898 123001

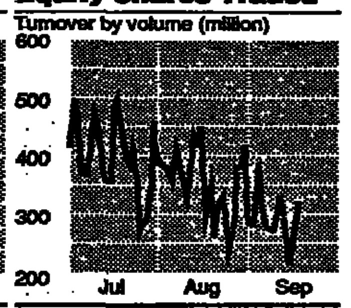
Shell joins sector spree

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Shell Transport shares attracted inquiries which marketmakers described as "most unusual" following the Royal Dutch/Shell group interim dividend and stock split/share scrip announcements. Volume surged to 5.6m as the price jumped 21 to 1018p with investors welcoming the payments which, although qualified by the group's aim for a more appropriate balance between interim and final dividends, raised hopes of an increased total distribution. Royal Dutch rose 1⅛ to £65.

Another boost was the proposed split of Royal Dutch stock/and share scrip from Shell which should make for greater marketability in both. The enthusiasm for the oil majors competed with a fresh bout of speculative activity for the independents and took place against a backcloth of declining crude oil prices.

Business was swollen as analysts recommended switches between the leaders. British Petroleum "old" were a beneficiary, surging 5½ to 246p amid turnover of 8.2m shares; the partly-paid kept pace in smaller volume to end 6 up at 147½p. However, the top slot in terms of activity went to British Gas, down 1½ more at 168p after trade of 17m shares.

Enterprise moved relentlessly forward, rising 28 to 670p, although marketmakers reckoned that LASMO should be the stock in play. "The stock offers such good value and a cheap way into Enterprise, [illegible] soon", said one. LASMO improved only 3 to 569p after turnover of 5.1m shares. Clyde advanced 7½ to 127p and Calor 13 to 376p.

Despite advice to shareholders not to take up their rights entitlement, Ultramar new nil-paid stock got off to a successful start. After opening at a 20p premium, the shares immediately forged higher to close at a 31p premium, while the "old" ended 12 dearer at 227p ex-rights.

Pleasurama advance

After languishing for several weeks, shares in leisure group Pleasurama enjoyed a long rally yesterday, rising 25 to 224p in turnover of 2.3m. Dealers had no difficulty in explaining the gain, pointing out that it came after Mecca Leisure's meeting at which Mecca shareholders endorsed the company's recent bid for Pleasurama. Mecca shares rose 2 to 174p.

Although there was some buying interest, most of the gain was fuelled by rumours that Mecca might be about to launch a cash alternative to its original paper bid. Mr Jeremy Long, group finance director of Mecca, said he was unable to comment on these rumours, but added, "We are delighted by our shareholders' endorsement and I hope the market will now focus once again on our bid." He confirmed that no discussions have been held recently with Pleasurama management, but would not comment on speculation that Mecca might be in talks with other parties with a view to strengthening its bid.

Mr Barry Hardy, the Pleasurama director coordinating the company's defence, said, "We are currently not aware of any moves by Mecca, but we're not surprised that our share price had recovered from levels at which it was looking fundamentally cheap."

R-R disappoint

The announcement of interim pre-tax profits of £63m compared with £60m from Rolls-Royce failed to meet with market expectations which ranged around the £70m mark. The shares were one of the most actively traded (9.1m) and closed 3 down at 129¼p. The problem appeared to be an exceptional charge of £14m arising from reorganisation and severance costs which took most analysts by surprise. This was mitigated to a certain extent by a 20 per cent increase in the dividend payment.

Although the exceptional charge is expected to be partly offset by lower research and development costs, Hoare Govett (HG) saw fit to reduce its 1988 pre-tax forecast by £5m to £165m. Over the longer term, however, HG remains positive and is raising its estimate for 1989 from £185m to £200m.

P & O Cruise

A series of favourable recommendations and upgraded full-year profit forecasts succeeded the P&O interim figures, forcing investors to take a more positive stance on the shares. Mr Selwyn Jones of Citicorp Scrimgeour Vickers thinks the reason for the stock's underperformance is the belief that a bid will emerge for Taylor Woodrow.

Since the new management team was installed five years ago, however, all P&O corporate deals have been on an agreed basis and in the current climate such a deal cannot be ruled out. "A core holding for capital growth funds and currently very attractive for income funds," says Mr Jones. The shares rallied 3 to 537p yesterday.

International stocks were mixed. Glaxo ran into profit-taking after its recent good rise, falling 15 to 1014p in turnover of 2.2m. Its figures are due on Monday, with market forecasts ranging from £810m to £840m. Hanson fell a penny to 143½p as dealers commented that there has been no news on possible acquisitions.

BTR reported its sparkling figures, with profits of £368m inspiring a rise of 10 to 283p in heavy trading of 8.3m shares. Broker Kitcat & Aitken has posted a full-year forecast of £770m, rising to £900m for 1989. The 1-33 warrant issue was seen as a simple bonus issue for shareholders which are prepared to remain loyal until the exercise period starting in 1992.

London International Group announced a worse than expected trading outlook and saw its shares tumble 20½ to 199½p. Dealers commented that they thought the bad news had been partly discounted in the recent share price and they were surprised by the extent of the fall. Analysts said worries about condom sales in the US and about defective raw materials purchases by LIG were enough to chop profit forecasts by 5-10 per cent. Nomura Research has lowered its full-year forecast from £39m to £35m.

Merchant banks caught the attention in busy trading as a US buyer went in search of Kleinwort Benson stock. The current market malaise has hit the major London merchants hard and there is no shortage of speculation that some could be facing hostile bids soon, say dealers. By the close Kleinwort had advanced 10 to 348p and Morgan Grenfell 6 to 360p.

Among the insurers General Accident took a buffeting from Hurricane Gilbert, dropping 10 to 864p. Of the big UK composites, General Accident is most exposed to the property and motor market in the Southern US states. Commercial Union were boosted by rumours that Deutsche Bank is building a stake and the shares firmed 3 to 327p on turnover of 2.9m. A battle in Sedgwick developed between bears in the stock and investors looking to pick up the shares before they go ex-dividend on Monday. By the close honours were even with Sedgwick unchanged on 222p.

Guinness reported results at the top end of expectations and the shares were unchanged at 316p after turnover of 7.2m. Grand Metropolitan was again the focus of a range of stories and the shares rose 7½ to 485p. Unconfirmed rumours suggested that VMS Realty of the US had offered $3bn (£1.8bn) for the InterContinental hotel chain, while another story said that Grand Met had taken a 20 per cent stake in US food and restaurant company TransWorld Services. Hanson has also recently been linked with TransWorld.

Associated British Ports pleased with the announcement of interim profits some 59 per cent higher at £21.2m. Responding to the figures, ABP shares moved ahead strongly to 511p before settling a shade below the best with a rise of 16 on the day at 509p. British Aerospace, a depressed market since announcing its interim figures earlier in the week, staged a modest rally and closed 5 better at 456p; volume was 1.4m shares.

A ruling by the Director General of Fair Trading that Unichem's Share Scheme is an anti-competitive practice brought its rivals to life with a flourish. AAH moved up 6 to 265p, while Macarthy featured a gain of 11 at 234p.

Ratners met most market forecasts with interim profits up 92 per cent to £6.5m, keeping the jewellery group on course for somewhere around £75m for the full year if Christmas sales live up to expectations. Yet the good figures had been discounted by the recent run in the stock and Ratners lost tuppence to 218p.

News that Harris Queensway has put its London toyshop Hamleys up for sale nudged the shares up a halfpenny to 75p. There should be no shortage of foreign interest in the store, say dealers, although Mr Andrew Fowler, analyst with Charterhouse Tilney, believes it easy to overstate the attractions of the famous shop. "The toy market is notoriously seasonal and Hamleys is not a mass-market name, so it might be a management buy-out situation."

The whispers would not go away yesterday that someone will bid for Sears within the next few days and Hanson Trust remains most people's favourite to make an offer. Sir Gordon White, head of Hanson's US operation, is said to be due in London this weekend, heightening speculation that the group will make its bid early next week. Sears ended the session a penny easier at 126p on turnover of 6.8m shares.

Newcomer Ritz Design, suppliers of ladies lingerie to Marks & Spencer, enjoyed a satisfactory debut, earning a 3-pence premium on its placement price of 118p.

Racal again dominated the Electricals sector, rising 9 to 410p in heavy trading of 9.4m shares as dealers noted general relief that the Vodafone flotation will go ahead as planned. One commented that the pathfinder prospectus looked "very healthy".

Travis and Arnold advanced to close 9 up at 514p, compared with Meyer International's hostile counter-bid of 500p cash per share. Market speculation centres on the possibility that Meyer may have to raise its offer to win the day and suggestions that another predator may appear on the scene.

Food stocks were less active yesterday, although Cadbury Schweppes gained 12½ to 358p in turnover of 5.8m shares, lifted by persistent speculation that it may be the subject of a bid from Grand Metroplitan.

James Neill met with persistent selling as the group announced lower interim profits (£2.7m against £3.8m) and fell away sharply to close 13 off on the day at 176p.

British & Commonwealth beat its half-year forecast with profits of £82.9m, but the market seemed unimpressed and the shares dropped 8 to a 1988 low of 214p, compared with the high of 340p.

Templeton Galbraith & Hansberger, the investment advisory and management services group based in the Cayman Islands, were one of the more brighter features among miscellaneous financial issues. Mr Philip Gibbs, analyst with CL-Alexanders Laing & Cruickshank, rates the stock, up 5 yesterday at 125p, a buy for several reasons. He points to the quality of earnings, which is among the highest in the sector, the excellent investment performance record and the particular concentration on value rather than trends.

Inchcape slipped back 4 to 208p, despite unfolding mid-term profits at the top end of the range. Mr Richard Allen, sector researcher at Kleinwort Grieveson, said the figures are good, but the upside is limited at current levels.

Turnover in the Traded Options market continued at its recent high levels yesterday as 44,220 contracts changed hands, of which 31,835 were calls and 12,385 puts. The busiest business was in British Gas, with 4,243 contracts, Trusthouse Forte with 4,062, BTR with 3,872 and Hanson Trust with 3,722 contracts.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 40

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	3,300	146½	-1
Abbey Life 5p	3,380	302	+½
Allied-Lyons	713	480	-½
Amstrad 5p	1,200	204	+1½
Argyll Group	2,600	167	-1
Ass. Brit. Foods 5p	782	298	-1
BAA	888	254	-½
BAT Inds.	2,700	448½	+1
BET	846	220	+1
BICC 50p	510	340	+2
BOC Group	78	400½	-½
BPB Inds. 50p	1,680	252½	-6½
BTR	8,300	283	+10
Barclays £1	1,300	395	
Bass	1,600	748	+3
Beecham	2,100	455	
Blue Arrow 5p	3,800	91½	
Blue Circle £1	191	421	-3
Boots	2,400	208½	-2½
British Airways	12,800	152	+1
Brit. Aerospace 50p	1,400	456	+5
Brit & Comm. 10p	3,800	214	-8
British Gas	17,000	168	-1½
British Land	453	315	-5
Brit. Petroleum	8,200	246	+5½
British Telecom	750	233	
Burmah £1	134	509	-1
Burton Group 50p	1,600	195½	-1½
Cable & Wireless 50p	576	363	-2
Cadbury Schweppes	5,700	358	+12½
Coats Viyella	6,700	204½	+4½
Comm. Union	2,900	327	+3
Cons. Gold Fields	797	£10¼	+¼
Cookson 50p	106	248	
Courtaulds	2,400	306	+2
Dalgety £1	744	316	
Dee Corp 5p	1,400	162	-1
Dixons Group 10p	338	152½	-2½
Eng. China Clays	889	451	-1½
Enterprise Oil	3,100	678	+28
FKI Babcock 10p	266	121½	
Fisons	618	238	+½
Gen. Accident	361	864	-10
GEC 5p	1,600	156	-½
Glaxo 50p	2,200	£10⅛	-⅛
Globe Inv	77	140	+½
Glynwed Int.	534	283	+4
Granada	189	296	-1
Grand Met. 50p	2,400	485	+7½
GUS A	132	£10¼	-⅛
GRE 5p	1,400	175	-1½
GKN £1	881	313½	+2
Guinness	7,200	316	-1
Hammerson "A"	331	620	-2
Hanson	5,100	143½	-1
H'ris'n. Cros. £1	52	620	
Hawker Siddeley	590	585	+3
Hillsdown Hldgs 10p	1,400	263	+1½
IMI	524	198	+1
Imp. Chem. £1	527	£10¼	
Inchcape	1,900	208	-4
Jaguar	368	242	
Ladbroke 10p	2,400	435	
Land Securities £1	673	543	-11
Laporte Inds. 50p	164	392	+1
Legal & General	1,000	306	-3
Lloyds £1	1,000	292	-2
LASMO	4,900	569	+3
Lonrho	2,500	260½	+1
Lucas Inds. £1	1,100	533	+2
MEPC	394	526	-7
Marks & Spencer	1,800	157½	-½
Maxwell Comms. Corp	716	190	-2
Metal Box	203	210½	-1½
Midland £1	943	402	+3
Nat. West. £1	754	541	-1
Next 10p	1,300	214	-1
Northern Foods	1,300	261	+2
Pearson	543	688	+9
Pearl 5p	62	471	-1
P & O Defd £1	636	537	+3
Pilkington 50p	1,000	194	-3
Plessey	5,700	152	+2
Prudential 5p	2,100	154	
Racal Electronics	9,400	310	+9
Rank Org.	780	651	+9
RMC	936	446	-1
RHM	1,200	381	-4½
Reckitt & Colman	209	864	-2
Redland	1,000	394½	-4
Reed International	629	411	+1
Reuters "B" 10p	1,200	462	+3
RTZ 10p	2,000	429	-2
Rolls Royce 20p	9,100	129¼	-3
Rothmans 12 1/2 p	632	418	-1
Royal Bk of Scotland	303	341	
Royal Insce.	3,300	365	+1
STC	272	263	-1
Saatchi 10p	200	347	-1
Sainsbury (J.)	1,100	202	-2
Scott & New 20p	2,300	334	-4
Sears	6,800	126	-1
Shell Trans. Reg.	5,100	£10¼	+¼
Siebe	104	356½	-2½
Slough Ests	368	300	
Smith & Neph 10p	835	117½	+½
Standard Chartd. £1	2,200	517	+15
Storehouse 10p	2,300	183	-3
Sun Alliance	281	968	+1
T&N	1,100	174	
TSB	6875	98½	+½
Tarmac 50p	2,500	321	
Tate & Lyle £1	138	826	+2
Tesco 5p	799	133½	-1½
THORN EMI	102	613	+1
Trafalgar Hse 20p	1,500	383	
Trusthouse Forte	4,700	249½	+4½
Ultramar	2,300	232	+7
Unilever 5p	444	459	-1
United Biscuits	636	269	+3
Utd Newspapers	630	385	-1
Wellcome	140	479	
Whitbread "A"	860	279½	+7½
Williams Hldgs	330	263	+1
Wimpey (Geo)	538	227	-1
Woolworth Hldgs	2,700	254	-6

NEW HIGHS AND LOWS FOR 1988

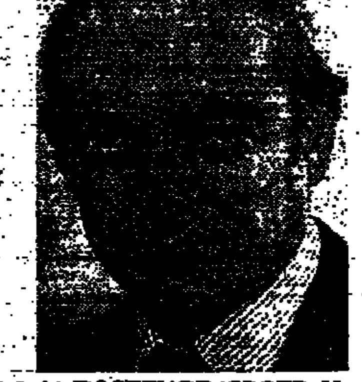
NEW HIGHS (54).
AMERICANS (13) Amer. Express, Ameritech, Bankers N.Y., CPC Int., Campbell Soup, IC Inds., Irelco, RJR Nabisco, Sara Lee, TW Services, Transamerica, Waste Mngmt., CANADIANS (5) Bk. Montreal, Bk. Nova Scotia, Can. Imp. Bk., Denbus Res., Royal Bk. Can., Toronto, BANKS (5) ANZ, Deutsche Bk., Nat. Aust. Bk., Sec. Pacific, Wells Fargo, BREWERS (1) Fuller, S.T.A., BUILDINGS (1) Travis & Arnold, CHEMICALS (3) Akzo, Hoechst, Novo Inds. "B", ELECTRICALS (3) Ericsson (L.M.), Isopad Int., Wholesale Ftg., ENGINEERING (1) Chemring, FOODS (3) BSN, Kraft Inc., Tate & Lyle, INDUSTRIALS (5) Creighton Labs., Macfarlane, Mayne Nickless, Rauma-Repola, Serco, INSURANCE (1) Allianz AG, LEISURE (1) Radio City "A", MOTORS (1) Gates (F.G.), PAPERS (1) Usher Walker, PROPERTY (3) Erostin, Ests. & Agency, Jermyn Invest., SHIPPING (2) Gotaas-Larsen, Turnbull Scott, TRUSTS (1) Contl. Assets Tst., OILS (4) Enterprise Oil, Hamilton Oil, LASMO, Sovereign Oil.

NEW LOWS (23).
CANADIANS (1) Armeno, BUILDINGS (1) Barratt Dev., CHEMICALS (1) Viking Packaging, STORES (1) Moss Bros., ENGINEERING (1) Victaulic, FOODS (3) Dee Corp., Sainsbury (J.), Tesco, INDUSTRIALS (4) Fergebrook, Kenyon Sec., TT Group, Talbex, INSURANCE (1) London Utd., NEWSPAPERS (1) Maxwell Comms., PAPERS (2) City of London PR, Smith (David S.), PROPERTY (1) Westfield, TEXTILES (1) Stoddard, TRUSTS (2) Scot. Cities "A", Brit. & Comm., MINES (3) St. Helena, McFinley Red Lake, Nor-Quest Res.

APPOINTMENTS

Changes at British Aerospace

Further to BRITISH AEROSPACE's announcement on July 6 that it was proposing to devolve further responsibility and accountability for the success of the company's business operations to its divisions and subsidiary companies, the following appointments are being made: On October 1 Dr Maurice Dixson, chief executive of Royal Ordnance, is to become managing director of the civil aircraft division and managing director of British Aerospace (Civil Aircraft). On the same date Mr Peter Kenyon, managing director of the ammunition division of Royal Ordnance, is appointed managing director of Royal Ordnance. Mr Norman Barber, managing director of the military aircraft division, is appointed managing director designate of the dynamics division and managing director of British Aerospace Dynamics on December 1 to succeed Mr John Parkhouse, who will retire on December 31. Also effective December 1, Dr Ian Hall, deputy managing director of the military aircraft division, is made managing director of that division and Mr Tony Baxter, headquarters production director, is appointed deputy managing director of the military aircraft division. They are also appointed, respectively managing director and deputy managing director of British Aerospace (Military Aircraft). Mr John Holt, managing director of the space and communications division, has also become managing director of British Aerospace (Space Systems).



At ROCKWARE GROUP Mr John Biffen, MP, has been appointed to the group board as a director.

■ GSPK, manufacturers of printed circuit boards, has appointed Mr Russ Perkins as sales and marketing director. He joins from R.E. Ingham, where he was responsible for all sales and marketing activities.

■ GATEWAY FOODMARKETS, a subsidiary of the Dee Corporation, has appointed Mr Robert Willett as marketing director. He has been non-foods director at Gateway since September 1987.

■ Mr John Lenihan, managing director of Crayonne, is to take on an additional role within the McKECHNIE consumer products division following his appointment as managing director of GEECO. He will now be responsible for both companies.

■ MITSUBISHI FINANCE INTERNATIONAL has appointed Mr Jacques Pezier a director. He was a director of BZW UK Equities responsible for risk management.

■ Mr Michael Murray has been appointed managing director of ATCO, the lawnmower manufacturer. He joins from Rest Assured Holdings, a subsidiary of the BTR Group, where he was managing director.

■ Mr Hugh Mellor has been appointed a non-executive director of MEGHRAJ BANK.

■ At UNITED SCIENTIFIC HOLDINGS Mr Tony Pearson has become company secretary. He joins the UK operation at the London headquarters, having spent the previous five years based in Cairo as finance director of its Egyptian joint venture company, Arab International Optronics.

MINET HOLDINGS has appointed Mr Michael Brown to the board. He is the company's group legal adviser and company secretary.

■ Sir Ralph Robins, managing director of Rolls-Royce, has been appointed a director of STANDARD CHARTERED.

■ ASDA GROUP has elected Mr Ronald Scott a director. He is finance director of Asda Stores.

■ WHITECROFT has appointed Mr Christopher N. Jenkinson as chief executive of its textile division. He has been managing director of Edward Hall and Brother, the group's medical fibre associate, since 1972. Mr John Catterall, works director of Edward Hall, has become its managing director.

COMMODITIES AND AGRICULTURE

Last chance to save cocoa agreement

By David Blackwell

DELEGATES TO the International Cocoa Organisation (ICCO) talks in London today have a last chance to solve the problems which are threatening to leave the agreement in disarray.

"It's going to be a tough day," a consumer delegate said yesterday.

Key issues in dispute are:

● The level of prices the agreement is trying to defend.

● The problem of arrears in levies.

They have been talked around for the past fortnight without success. As another consumer delegate said yesterday: "Nothing has really happened since the first day."

Consumer-countries, which a fortnight ago were hoping for an early settlement to the main problems, are now in despair that any progress will be made.

Yesterday their spokesman, Mr Peter Baron, said: "I'm very pessimistic." He tried again to get producer-countries to agree to start negotiations on the level of prices to be defended.

At the start of talks producers said they did not want to be rushed into anything but emphasised they wanted the agreement to succeed.

Their spokesman, Mr Mamah Mohammed, said: "We need this agreement." Yesterday he said he was was still optimistic about the talks.

The dispute over defence prices goes back to last March. A special panel was set up to look into the problem. It advised, just before the talks, that the organisation's indicator price should have been cut six months ago to a range of 1,370 Special Drawing Rights to 2,040SDRs.

Producers rejected the advice. Meanwhile, cocoa prices have collapsed. The indicator price yesterday stood at 981.30SDRs.

Even if the price dispute is resolved, the organisation is facing a crisis in the funding of its 250,000-tonne buffer stock. Ivory Coast, the world's biggest producer, owes $48m, and no producer countries are paying the $30-a-tonne levy on their exports.

Ironically, the only income for the buffer stock is the levy being paid by consumer members on imports of cocoa from non-member countries.

The ICCO secretariat is proposing that if no deal is reached on the arrears in the talks, all levies should be suspended from October 1.

Meanwhile, the talks today look like following the organisation's tradition of running late into the night. However, consumers are increasingly sceptical that this time something will be pulled out of the hat at the last minute.

London bullion's dullness takes toll

By Kenneth Gooding, Mining Correspondent

THE LONDON bullion *market's dull conditions most* of this year are taking their toll. Italian International Bank, the merchant and international banking subsidiary of Monte dei Paschi di Siena, has given up bullion dealing after a year.

Mr John Baden, IIB *managing director, said:* "We tried for a year but could not make a reasonable profit. We do not expect market conditions to change and so we gave up."

The bank gives up London Bullion Market Association *membership.* Mr Robert Guy, association chairman, said he expected more departures in coming months. But this would be offset by new members. Loss of IIB was balanced by addition of Moscow Narodny Bank.

The gold price fell again in London yesterday, by $4, to $417.75 a troy oz. Mr Guy said investor interest was minimal but trading volume was quite strong because there were signs gold-producers were again hedging future output and Taiwan and South Korea were active buyers.

Mr Jeffrey Nichols, managing director of American Precious Metals Advisors, which is based in New York, said: "In the near term we would not be surprised to wake up one morning to a gold price of $400 an ounce or less. Nor would we be surprised to see gold gradually climb back to $450 or even $475." But after a few months gold was likely to rise to new highs for this cycle.

Bond eyes nickel of New Caledonia and Indonesia

By Chris Sherwell in Sydney

MR ALAN BOND, the Australian entrepreneur, is negotiating with the French and Indonesian governments to mine vast nickel resources in New Caledonia and Indonesia and to process the ore at his Australian plant.

The separate proposals are unusual: they would reverse Australia's traditional role as a quarry the ores of which tend to be refined abroad.

They are important politically: Jakarta has been upset by Australian press coverage of Indonesia; strained relations with Paris spring from France's South Pacific policy.

The New Caledonia proposal would see Dallhold Investments, Mr Bond's family-controlled company, take a 49 per cent stake in two French government-controlled companies with nickel ore reserves of 1,000m tonnes.

Sociéte le Nickel, the company which mines New Caledonia, is resisting the idea. It runs a big nickel-smelter in Noumea.

Dallhold is negotiating with BRGM, the research and mining agency of the French Government, which controls the two companies, Cofremmi and Sociéte Promine. Amax, a US company, holds a substantial stake which Dallhold seeks.

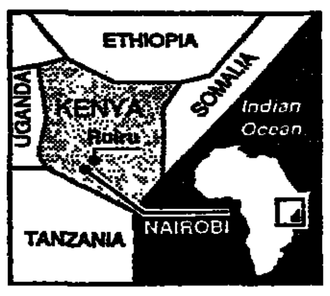
A test has been made on a nickel deposit and a 37,000-tonne load is being put through Mr Bond's plant in Townsville, Queensland.

Until Dallhold acquired the plant two years ago a question-mark hung over its future. The plant is linked to the Greenvale nickel and cobalt operation. Mr Bond aims to secure new sources of ore to keep the plant running.

He has a contract with PT Aneka Tambang, Indonesia's nickel group, to supply 500,000 tonnes of ore annually. More is needed.

Kenya eyes shadow over its top cash crop

Julian Ozanne explains why Nairobi coffee circles are tense on the eve of ICO talks



WORLD STOCK MARKETS

AUSTRIA

September 15	Sch	+ or –
Creditanstalt	2,010	+15
Goesser	2,865	—
Interunfall	11,620	—
Jungbunzlauer	7,625	—
Laenderbank	385	—
Perlmooser	637	+15
Steyr-Daimler	84	—
Veitscher Mag	615	—

BELGIUM/LUXEMBOURG

September 15	Frs.	+ or –
B.B.L.	2,600	—
Banque Gen. Du Lux	13,950	—
Bank Intl. a Lux	13,150	—
Bekaert B	11,975	+75
Ciment CBR	6,570	+30
Cockerill	315	+1
Colruyt	8,040	+120
Delhaize	4,550	+50
EBES	4,375	+15
Fabrique Nat	926	+20
GB Inno BM	2,220	+4
[illegible]	[illegible]	[illegible]

FRANCE

September 15	Frs.	+ or –
Accor	484	+10
Air Liquide	540	+5
Alcatel	2,840	-29
BIC	784	+2
BSN	5,260	+10
Bancaire Cie	434	-9
BNP (Cert.Inv.)	279	+1
Bongrain	2,599	+1
Bouygues	460	-4
Carrefour	2,520	+38
Club Mediterranee	439	+3
Cofimeg	282	-0
CGE	324	+1
Dassault	2,565	+10
Dumez S.A.	670	-6
Eaux (Cie Gen)	1,465	+2
Elf-Aquitaine	323	-1
Essilor	2,625	+63
Fin. de Suez Cie	281	+2
Gen. Occidentale	749	-1
Havas	672	+3
Imetal	220.2	-9.3
[illegible]	[illegible]	[illegible]

GERMANY (continued)

September 15	Dm.	+ or –
Hoechst	292.4	—
Hoesch	159.8	+0.6
Holzmann (P)	478	+6
Horten	208	+3
Hussel	445	+0.2
Karstadt	450	+5
Kaufhof	376.2	+4.2
KHD	136.5	-0.2
Kloeckner Werke	98.5	+1.9
Linde	690	+10
Lufthansa	143	-2
MAN	209.5	+5.7
Mannesmann	173.8	-0.2
Mercedes Hld	563	-2.5
Metallgesell	306	—
Muench Rueck	2,100	—
Nixdorf	438.1	-3.4
Porsche	532	+6
Preussag	173.5	+1.5
Rhein West Elect	234.5	-6.5
Rosenthal	248	+3
Schering	519	—
[illegible]	[illegible]	[illegible]

NETHERLANDS (continued)

September 15	Fls.	+ or –
Nat Ned Bank	182.00	-3
Nedlloyd	223.00	+1.1
Oce Grinten	253.00	—
Ommeren (Van)	30.20	+0.3
Pakhoed	82.10	-1.1
Philips	32.80	+0.1
Robeco	93.50	+0.2
Rodamco	150.90	+0.4
Rolinco	88.70	+0.4
Rorento	58.10	+0.2
Royal Dutch	233.50	+5
Unilever	114.90	+0.9
VMF Stork	21.60	-0.1
VNU	90.70	-0.3
Wessanen	75.50	-0.1
Wolters Kluwer	151.30	-0.7

NORWAY

September 15	Kroner	+ or –
[illegible]	[illegible]	[illegible]

SWEDEN (continued)

September 15	Kronor	+ or –
Skan Enskilda	145	+1
SKF B Free	315	+1
St. Kopparb'g A Free	319	-2
Svka Cell'sa B (Free)	360	—
Svka Handelsbn	128	—
Volvo B (Free)	341	-1

SWITZERLAND

September 15	Frs.	+ or –
Adia Intl	8,975	+125
Alusuisse	796	+1
Bank Leu	2,900	—
Brown Boveri	2,225	-5
Ciba Geigy	3,270	+20
Do. (PtCts)	2,120	+30
Credit Suisse	2,530	+20
Elektrowatt	2,875	+5
Fischer (Geo.)	1,100	+10
Hoff-Roche (PtCts)	121,750	+1,750
Hoff-Roche 1/10	12,300	[illegible]
[illegible]	[illegible]	[illegible]

ITALY

SPAIN

SOUTH AFRICA

DENMARK

FINLAND

JAPAN

AUSTRALIA

HONG KONG

SINGAPORE

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices.

CANADA

TORONTO

2pm prices September 15

OVER-THE-COUNTER

Nasdaq national market, 3pm Prices September 15

Continued from page 45

INDICES

NEW YORK — DOW JONES

STANDARD AND POORS

TRADING ACTIVITY

CANADA

NEW YORK ACTIVE STOCKS

3pm prices September 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	14	AAR s	.36	1.4	19	70	26⅜	26⅛	26⅛	– ¼
10⅛	9⅝	ACM n				91	9¾	9⅝	9¾	
12⅛	8¾	ACMIn n1.26a		11.		315	11⅛	11	11	
12⅛	10⅜	ACMSc n1.28		12.		495	11	10⅞	10⅞	– ⅛
10⅛	8⅞	ACMSp n.25e		2.7		411	9¼	9⅛	9⅛	
28⅞	10½	AGS			21	596	28⅝	28½	28⅝	+ ⅛
7⅝	2⅞	AMCA				15	3⅝	3⅛	3⅜	– ⅛
8	3¼	AM Intl				382	6⅜	5½	5½	
28⅝	17	AM Int pf	2	9.1		5	21⅞	21⅞	21⅞	
58	26⅛	AMR			9	2480	46⅜	45⅛	46	+ ½
24⅝	19	ANR pf	2.12	8.9		2	23¾	23¾	23¾	– ¼
10½	5⅛	ARX			11	72	7⅛	7	7	– ⅛
70½	35¼	ASA	3	8.1		272	37⅝	37⅛	37⅛	– ½
22⅝	9½	AVX	.06e	.3	12	24	19	18⅞	18⅞	– ⅛
63½	40	AbtLab	1.20	2.5	16	2829	49⅛	48⅞	48⅞	– ⅛
27¼	15⅜	Abitibi g	1			23	16⅛	16⅜	16⅛	
16½	8½	AcmeC	.40	4.2		60	9½	9⅜	9½	
20	14⅛	AdaEx	3.05e	20.		83	15⅝	15⅝	15½	
19¼	6⅞	AdamMl	.24	1.5	16	20	16½	16⅜	16½	
24⅞	7½	AMD				1670	11⅝	11⅜	11⅜	– ⅛
56¾	29¼	AMD pf	3	8.5		35	35½	35	35½	+ ¼
9⅜	4⅝	Adobe				19	7⅛	7⅛	7⅛	
19⅛	16¼	Adob pf	1.84	11.		13	17½	17⅜	17⅜	
21⅜	17½	Adob pf	2.40	11.		2	21	21	21	+ ⅛
12⅛	5⅞	Advest	.12	1.4	16	55	8½	8½	8½	
61⅛	39½	AetnLf	2.76	5.4	8	5417	51⅛	50⅛	50⅞	+ ½
36⅛	20½	AlldPb s	.20	.7		602	28⅜	28	28⅜	+ ⅞
21⅛	13	Ahmans	.88	5.6	10	797	16½	15⅞	15⅞	– ⅝
4⅝	1⅜	Aileen				66	4⅛	4⅛	4½	– ⅛
53⅜	29	AirPrd	1.20	2.8	12	762	43½	42¾	43	+ ¼
27½	11⅛	AirbFrt	.60	3.5	23	6	17⅛	17⅛	17⅛	
18⅜	8⅛	Airgas			16	13	14⅜	14½	14⅝	
20	13½	Airlease	2.40	13	10	36	19⅛	18⅞	19	– ⅛
9⅞	7⅝	AlaP dpf	.87	9.4		12	9½	9⅛	9¼	+ ⅛

Continued on Page 45

NYSE COMPOSITE PRICES

Continued from previous Page

AMEX COMPOSITE PRICES

3pm prices September 15

OVER-THE-COUNTER

Nasdaq national market, 3pm prices September 15

Continued on Page 43

AMERICA

Dow and bonds retreat to a narrow trading range

Wall Street

EQUITIES and bonds fell back into a narrow trading range yesterday after the mild boost received by Wednesday's news of a sharply reduced US trade deficit in July, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average stood virtually unchanged from Wednesday's close. It stood 0.36 higher at 2,101.00 and volume was only modest at about 90m shares by midsession.

US government bonds were marginally weaker at the short end of the yield curve during morning trading, while longer maturities stood around ⅛ point higher. However, prices slipped along the yield curve as the session wore on and were quoted ⅛ point lower, in spite of some mildly encouraging economic statistics. The yield on the Treasury's 30-year benchmark issue rose to 8.97 per cent.

There were two key economic releases. US retail sales *fell 0.2 per cent last month and* July's 0.5 per cent increase was revised down to a gain of 0.1 per cent. Bonds rose modestly in reaction to the figures, which were weaker than forecasts which had predicted a slight rise in sales during August. However, bonds later dipped back.

The Federal Reserve said that industry was operating at 83.7 per cent of capacity in August compared with 83.6 per cent in July and 83.0 per cent in June.

While the 2,100 level on the Dow Jones Industrial Average does not have any particular technical significance, it does exert influence on investor psychology. The Dow hugged 2,100 tightly throughout the whole morning session.

Nevertheless, there was plenty of corporate news to trigger large movements in individual share prices.

One of the biggest movers was Hospital Corporation of America which jumped $6⅝ to $43⅞ on news that a management group is to propose a leveraged buy-out of the company at about $47 a share or $3.33bn.

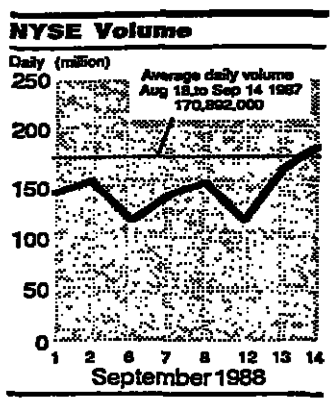
After that announcement, two other hospital management groups moved into the ranks of the most heavily traded stocks on the New York Stock Exchange. National Medical Enterprises rose $1¼ to $21⅜ and Amer Medical International gained $⅝ to $16⅛.

Another featured stock was Zayre, which said it had agreed to sell its discount store division to Ames Department Stores for $800m in cash and preferred stock. Zayre added $1⅞ to $24⅞ while Ames fell $⅜ to $16⅛.

Bearings rose $1¼ to $35 after the company said its board had authorised the *repurchase of up to 12 per cent* of its common stock.

Actmedia slumped $3⅜ to $11⅞ in over-the-counter trading on concern that the management group that plans a $16-a-share takeover of the *offer may not be able to get its* financing.

Pacific Scientific, the manufacturer of electrical instruments, rose $1⅛ to $13⅜ after Shufro, Rose & Ehrman, an investment company, said it *had acquired a 20.9 per cent* stake and would hold talks to *sell at a premium over the current open market price.*



Canada

FALLS by gold, base metal and energy issues dragged Toronto down in moderate trading at midsession.

The composite index fell 5.6 to 3,270.9 in volume of 13m shares.

Most leading Canadian banks said they had increased prime lending rates by ¼ percentage point to 11¼ per cent. Bank of Montreal lost C$⅛ to C$28⅜ and Bank of Nova Scotia *firmed C$⅛ to C$15.*

Stability holds back index futures

With Tokyo on holiday, Michiyo Nakamoto looks at why Japan's new contracts are treated warily

The launch two weeks ago of Japan's first stock index futures contracts adds an extra dimension to what is already perhaps the world's fastest growing financial market.

Japan boasts the largest stock market and the second largest bond market in the world and many analysts are confident that the stock index futures market will expand soon enough to match those levels.

For the time being, however, Japanese investors are approaching their new trading instruments with some reserve.

The Tokyo and Osaka stock index futures contracts opened simultaneously with a festive bang on September 3, when trading value in contracts based on the Nikkei 225 share index reached an impressive Y2,100bn ($15bn) in Osaka while that in Tokyo, based on the broader Tokyo Stock Exchange index (TOPIX), reached Y1,669.4bn.

This flurry of activity, however, was largely a ceremonious show of support by investors who are not yet prepared for fully-fledged participation in futures trading. By the second day of trading, volume in Osaka fell to an estimated Y564bn while that in Tokyo retreated to an even lower Y358bn. Volume levels have moved only in a narrow range since then.

Several factors are contributing to the rather slow and uninspiring trading in index futures. For one thing, September marks the end of the fiscal year for many financial institutions. With their settlement of accounts approaching, institutional investors are making few equity market moves which they would need to hedge.

In addition, the actual equities indices have shown stability recently, with the Nikkei fluctuating between a little below 27,000 and a peak of 28,423 in the past three months. If this trend continues, there will be little incentive to use futures trading as a hedging tool, designed to protect portfolios against wild swings.

Speculators, too, have little use for index futures while the market is sluggish, instead seeking out the few shares that are moving despite the overall sluggishness.

"Demand for futures trading is *still low,*" says *Mr Tamio* Orimo, Section Chief of the Securities Department at Mitsui Mutual Life Insurance. "If the Nikkei rises to the 30,000 level," he says, "then more people will opt to use futures as a *means to hedge any possi*ble risks on the cash market."

With volumes in index futures low, contract prices tend to be volatile and this in turn does little to encourage further participation. "We're ready to take a more active part any day," says an official at Nippon Life Insurance. "We're just waiting for the markets to add volume."

Lack of experience in stock futures trading is also keeping investors from going beyond merely testing the waters.

The opportunity to become acquainted with stock futures trading has been available on SIMEX, the Singapore International Monetary Exchange, which has offered futures trading in the Nikkei 225-share index since September 1986, and on the Osaka Securities Exchange, with a contract on 50 selected shares since June 1987. However, many investors admit they are not yet comfortable trading stock index futures. "We'd like to step up our activity gradually as we learn to become more sophisticated at this," says an official at Mitsubishi Bank.

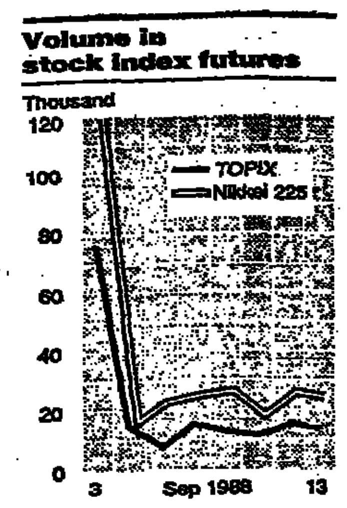
The small number of open positions suggests that a majority of those currently trading on the futures markets may be doing so mainly for the practice. For example, open *positions* on the TOPIX December contract dropped to 13,959 on September 13 compared with 14,113 the day before. As one investor commented, in reference both to the quality and quantity of trading, "the markets right now look more like training grounds than like the real thing."

Analysts also say both markets have been dominated by arbitrage trading – playing on the differences in prices between the futures contract and the stock market itself.

Much of the activity is made up of cross trading. By trading a combination of buy and sell contracts twice, dealers are able to increase their own trading volume without risking any losses.

Most analysts say the real test for Japan's futures markets is likely to come after October, when fund managers will be starting anew and volume is expected to pick up in the equities markets as well.

However, investors will only begin to use the new contracts on a big scale if prices in the stock market start to move around rather more vigorously. A Tokyo Stock Exchange official said: "In the long-run the futures market has prospects for growth, but in the short-run a stable equities market means less business for futures."



EUROPE

Gains sustained in calmer session

TRADING was calmer in Europe yesterday after Wednesday's excitement, but the US July trade figures and Wall Street's reaction supported prices, while speculative activity continued, *writes Our Markets Staff.*

FRANKFURT held onto its gains of the past two days despite a lack of follow-through buying and some profit-taking. The FAZ index pushed ahead by 1.44 to 506.08 and the DAX closed 3.40 up at 1,228.11. Volume also held up well at DM3.74bn worth of domestic shares, only slightly below Wednesday's level, on mainly domestic institutional activity.

A number of blue chips showed falls, prompting one analyst to describe it as "a bit disappointing" given the good news on the US July trade figures and the strong buying of German shares in the after market on Wednesday.

However, it was accepted that a brief correction was due. The German market has been the best performer in Europe *in the third quarter, with a rise* of some 8 per cent in the FAZ to date, according to brokers BZW. With economic growth more rapid than expected, incoming industrial orders improving, and the market on a price/earnings ratio of about 11.2 against 15.5 a year ago, there is further recovery potential, it says.

Financials again fared well, with Deutsche Bank up DM4.50 at DM510 and Allianz gaining DM13.50 to DM1,643.50. Engineer Linde, which said it planned to buy the Lansing forklift truck company of the UK, rose DM10 to DM690.

Bonds eased in profit-taking and the yield on the August 1998 federal bond edged up to 6.63 per cent from 6.62.

PARIS took a breather after the hectic activity of the previous two sessions, although speculation in Midi kept volumes relatively healthy. Shares ended lower.

The froth surrounding luxury goods group LVMH, which helped boost total turnover in Paris to a 1988 record of FFr4.04bn on Wednesday, died down and profit-takers appeared.

There was some confusion over whether the newly-purchased LVMH stock would carry voting rights at next week's extraordinary meeting, and even a rumour that the meeting was to be postponed. The expectation that the stake-building exercise was thus over sparked selling by the speculators, and LVMH plummeted FFr315 to FFr3,051, a drop of 9.4 per cent.

Midi raced ahead by FFr120 to FFr1,430 – and was later quoted in London at FFr1,475 – with apparently little reason for the rise. The sharp move set the rumour mill running and the De Benedetti camp and Generali were names mentioned as possible buyers.

Fellow investment holding company Navigation Mixte benefited from the rumours, jumping FFr59, or 5.7 per cent, to FFr1,091.

At the end of the day the OMF 50 index was down 3.03, or 0.8 per cent, at 367.40, having climbed by 4.4 per cent over the previous two sessions.

MILAN again saw better volume, with continuing interest in De Benedetti group stocks, *while Generali and Fiat also* attracted buying. The Comit index added 3.04 to 522.77 and turnover was estimated at more than L100bn on the pen*ultimate day of the monthly* trading account.

Fiat, regarded by some as undervalued, picked up L100 to L9,240, rising to L9,285 after hours. Generali added L840 to L91,900. There were rumours that Fiat might be buying into Generali through its 30 per cent owned holding company Gemina in advance of the insurance group's rights issue, which starts on Monday.

Speculation continued about the De Benedetti group, with one new rumour that it was buying up stock in Interbanca, up L1,595, or 7 per cent, at L23,600. It was also suggested that Generali might be going to sell its stake in Midi of France to De Benedetti.

AMSTERDAM had a generally quieter day but one feature was Royal Dutch, which ended Fl 5 higher at Fl 233.50 after announcing a higher interim dividend and plans for a two-for-one stock split. The sharp revival of the oil price also gave it a boost.

The share price came off its highs after the dividend news, however. Brokers James Capel said the dividend, raised to Fl 6 from Fl 4.50, would mean little in itself since the company was aiming at a better balance between its interim and final payouts and the final one would be cut. Capel's forecast *is for a full year payout of Fl* 13.80 against Fl 12.80 last year.

The stock split was more significant, it said, because investors saw it as increasing the marketability of the shares.

Bols, the distiller, added Fl 1 *to Fl 134 before announcing an* 11 per cent rise in first half profits to Fl 36.24m. Publishers hit profit-taking following Wednesday's boost from the share swap between Elsevier and Pearson of the UK.

The CBS all-share index edged up 0.1 to 97.3, but volume was said to be lower than Wednesday's healthy Fl 321m.

MADRID enjoyed a bit of a rally for the second consecutive session, appearing already to have discounted any possible bad news contained in inflation figures for August, due today or on Monday.

The index rose 2.02 to 278.20 in generally light trading.

There was strength in construction, a sector which is seeing a bit of Olympic fever, according to one analyst. The publicity surrounding the Seoul games has reminded the market that Barcelona will host the 1992 Olympics, he said.

BRUSSELS attracted strong foreign demand, especially in utilities and chemicals, and closed sharply higher again. The cash index added 32.7 to 5,068.36.

Tractebel, the energy and engineering holding company, continued its upward climb, gaining BFr70 to BFr8,320, with a heavy 17,550 shares traded. In chemicals, Solvay proved a favourite for foreigners, putting on BFr25 to BFr13,100.

ZURICH had another good day, reacting to overnight gains on Wall Street fuelled by the US trade data. The Crédit Suisse index added 1.4 to 467.4 in relatively active trading, accounted for largely by domestic investors.

Suchard saw its bearers rise SFr40 to SFr7,405. The company said it would pay shareholders a 10 per cent bonus from the extraordinary profit made on the sale of its stake in Rowntree of the UK.

Chemicals group Hoffmann-La Roche, subject of a buy recommendation by a Swiss bank, saw its baby certificates add SFr225 to SFr12,250.

STOCKHOLM was little changed as investors held back amid political uncertainty before Sunday's general election. The Affärsvärlden index rose 0.5 to 881.1.

OSLO saw volumes rise to the highest for several weeks, *while stocks closed mixed.* Turnover reached NKr117m worth of shares, up from NKr104m, with the all-share index slipping 0.31 to 272.

The Geneva and Basle stock exchanges have decided to extend their trading hours from November 7, following a similar decision earlier this week by the Zurich bourse, Switzerland's leading exchange, *writes John Wicks in Zurich.*

The Basle exchange is to put pre-market trading forward from 9.30 am to 9.10 am, with repeats at 11.30 am and 1.15 pm. Main trading of Swiss equities will be moved forward to 9.30 am from 10 am and continue until at least 1.15 pm, with business in the unlisted roche equities starting at 9.25 am. No details are yet available from Geneva.

Basle is the first European bourse to open trading in North American shares every day, something which will continue to start at 10 am. It is understood that Basle's pre-market business will open for its first session of the day before that in Geneva.

London

TENSE trading in the oils sector added excitement and helped boost volumes to respectable levels yesterday, with share prices ending higher for the fourth consecutive session.

The FT-SE 100 index added 4.2 to 1,765.1 and turnover rose to 435.3m shares. Prices lost some ground on the Chancellor's warning of higher inflation and Wall Street's mediocre opening.

SOUTH AFRICA

GOLD stocks closed slightly up, but off their highs, in quiet trading in Johannesburg yesterday. The improved bullion price early in the day gave stocks an initial boost, but as bullion slipped, so did gold issues.

Industrial stocks performed well, with Barlow Rand up 45 cents at R21, AECI picking up 40 cents to R11 and SA Breweries gaining 35 cents to R18.25.

In golds, Randfontein gained R2 to R238, Vaal Reefs was up 50 cents at R238.50, Driefon*tein moved up 50 cents to* R31.50 and Kloof rose 25 cents to R31.25, while Freegold shed 20 cents to R27.

ASIA PACIFIC

Australia welcomes US figures

THE SURPRISINGLY good July trade data from the US provided an early fillip for share prices in Australia and Singapore, but Hong Kong dithered amid uncertainty over the market's direction. Tokyo was closed for a local holiday.

AUSTRALIA opened strongly on the back of the better-than-expected US trade figures and continued to gain ground, closing sharply higher. The All Ordinaries index *gained 18.4 to 1,567.9.*

Speculation that banks would increase their dividend payouts led to gains for National Australia, up 22 cents at A$7.02, Westpac, 14 cents higher at A$6.12, and ANZ, climbing 14 cents to A$5.34.

Industrial Equity edged up 5 cents to A$1.61 on news of an 83 per cent rise in earnings and retailer Coles Myer, reporting 50 per cent higher profits, added 15 cents to A$10.80.

Elsewhere, Adelaide Steamship gained 30 cents to A$7.80 and News Corporation 15 cents to A$10.15.

SINGAPORE was also cheered by the US data and their positive effect on Wall Street overnight, although afternoon profit-taking reduced the day's gains.

The Straits Times industrial index put on 2.5 to 1,070.02 and turnover climbed to 19m shares from the previous day's 17m. Institutions chose to stay on the sidelines in the absence of a lead from Tokyo.

HONG KONG appeared to ignore the positive news from the US, falling back in thin trading. The Hang Seng index dropped 7.49 to 2,474.08.

Turnover picked up from the HK$321m recorded on Wednesday, but was still low at HK$473m worth of shares.

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY SEPTEMBER 14 1988					TUESDAY SEPTEMBER 13 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (85)	140.18	+0.8	124.07	117.52	4.01	139.00	121.43	115.93	152.31	91.16	177.28
Austria (16)	86.52	–1.2	76.58	84.24	2.48	87.61	76.54	84.11	98.18	83.72	98.26
Belgium (63)	114.88	–0.7	101.69	112.90	4.47	115.71	101.09	112.29	139.89	99.14	128.30
Canada (126)	118.48	+1.3	104.87	104.88	3.26	116.99	102.21	104.29	128.91	107.06	134.95
Denmark (39)	124.02	–1.2	109.77	121.58	2.45	125.55	109.69	121.41	132.72	111.42	115.30
Finland (26)	116.36	–0.9	102.99	108.23	1.59	117.40	102.56	108.02	139.53	106.78	–
France (128)	94.11	+0.5	83.30	94.33	3.44	93.62	81.79	92.41	99.62	72.77	113.96
West Germany (100)	77.36	–0.6	68.47	75.57	2.45	77.86	68.02	74.89	80.79	67.78	102.09
Hong Kong (46)	101.18	+0.3	89.55	101.44	4.80	100.88	88.13	101.15	111.86	84.90	144.28
Ireland (18)	128.04	–2.2	113.33	126.25	3.77	130.95	114.40	127.20	144.25	104.60	142.15
Italy (100)	69.86	–1.1	61.84	73.10	2.75	70.64	61.72	72.80	81.74	62.99	86.38
Japan (456)	159.41	–1.0	141.09	135.63	0.54	160.98	140.64	135.59	177.27	133.61	142.35
Malaysia (36)	138.75	+0.4	122.81	141.82	2.76	138.24	120.77	140.93	154.17	107.83	174.76
Mexico (13)	149.46	+0.3	132.29	373.06	1.46	148.94	130.12	372.10	180.07	90.07	378.84
Netherland (38)	102.35	–0.6	90.59	99.03	4.64	102.94	89.93	97.96	110.66	95.23	124.86
New Zealand (20)	71.78	+0.6	63.53	61.95	6.04	71.32	62.31	61.09	84.05	64.42	137.74
Norway (25)	109.41	+0.5	96.84	102.91	2.91	108.86	95.11	101.44	132.23	98.55	178.30
Singapore (26)	121.78	+0.1	107.78	114.68	2.39	121.66	106.29	114.20	135.89	97.99	168.40
South Africa (60)	105.14	+0.3	93.06	86.73	4.96	104.78	91.54	87.26	139.07	103.68	182.46
Spain (43)	135.72	–1.0	120.13	128.93	3.50	137.10	119.77	128.58	164.47	130.73	164.65
Sweden (35)	115.43	–0.8	102.17	110.65	2.58	116.41	101.70	110.42	125.50	96.92	130.33
Switzerland (55)	74.61	–0.8	66.03	73.24	2.34	75.17	65.67	72.65	86.75	74.13	108.75
United Kingdom (323)	123.01	–0.9	108.88	108.88	4.69	124.08	108.40	108.40	141.18	120.66	153.87
USA (580)	110.06	+0.6	97.42	110.06	3.62	109.35	95.53	109.35	112.47	99.19	128.74
Europe (1009)	101.39	–0.7	89.74	95.19	3.84	102.10	89.20	94.51	110.82	97.01	126.90
Pacific Basin (669)	156.32	–0.9	138.36	133.50	0.76	157.71	137.79	133.39	172.26	130.81	143.78
Euro–Pacific (1678)	134.36	–0.8	118.92	118.22	1.69	135.48	118.36	117.90	147.53	120.36	137.09
North America (706)	110.50	+0.7	97.80	109.76	3.60	109.74	95.88	109.06	113.29	99.78	129.07
Europe Ex. UK (686)	87.85	–0.5	77.76	86.81	3.13	88.33	77.17	86.00	92.99	80.27	110.15
Pacific Ex. Japan (213)	119.10	+0.6	105.42	106.82	4.24	118.36	103.41	105.78	128.27	87.51	161.53
World Ex. US (1877)	133.53	–0.8	118.19	117.57	1.77	134.54	117.54	117.25	146.49	120.26	137.66
World Ex. UK (2134)	124.53	–0.2	110.22	115.58	2.16	124.82	109.05	115.13	131.77	111.77	132.23
World Ex. So. Af. (2397)	124.49	–0.3	110.19	115.13	2.37	124.86	109.08	114.67	132.39	113.26	133.85
World Ex. Japan (2001)	107.60	+0.2	95.24	104.46	3.72	107.37	93.80	103.77	112.43	100.00	130.26
The World Index (2457)	124.37	–0.3	110.09	114.94	2.38	124.74	108.98	114.49	132.38	113.37	134.16

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Latest prices were unavailable for this edition.